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**The rush that wasn't**

*Canadian diamonds were a gull's best friend*

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# FINANCIAL TIMES

Europe's Business Newspaper

WEEKEND AUGUST 13/AUGUST 14 1994

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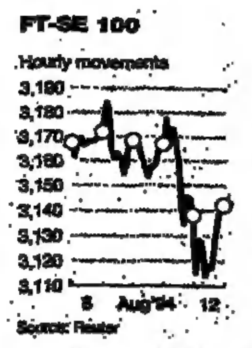
## Clinton to 'fight and fight' after crime bill defeat

US president Bill Clinton promised to "fight and fight and fight" as the White House and the Democratic leadership in Congress tried to regroup after their devastating defeat in the House of Representatives on the crime bill. The vote dealt an immediate blow to Mr Clinton's healthcare reforms when House leaders decided to delay indefinitely debate on the health bill, which faced a difficult passage. Page 2

**Unilever claims washing powder success:** Unilever said it increased its share of the British and French washing powder markets despite the "soap wars" over its newly-launched Persil/Omo Power detergent. Page 10

**Footsie rallies after favourable US data**




The UK stock market staged a recovery yesterday afternoon as a rally in bond prices followed the announcement of satisfactory US consumer price statistics. Early trading had seen the FT-SE 100 Index down by more than 27 points, but there was little sign of the selling pressure feared in the wake of Thursday's interest rate rises in Europe. At the close, the Footsie was 4.1 up on the day at 3,142.3. The index fell 25.2 over the week, with almost all the loss coming in the wake of rate increases in Sweden and Italy. London stocks, Page 15; Lex, Page 24

**Metallgesellschaft warns on issue:** Shares in Metallgesellschaft dropped sharply after it issued a warning on the risks for shareholders in a DM1.4bn ($890m) capital raising issue which is central to its survival plans. Page 11

**US and North Korea consider agreement:** The US and North Korea are considering a draft agreement that would include a transfer of western nuclear technology in return for a freezing of North Korea's nuclear programme, suspected to include weapons development. Page 24

**MAM punishes parent SG Warburg:** Mercury Asset Management has punished its parent company, SG Warburg, for the way Warburg managed Enterprise Oil's failed bid for Lasmo. For a month MAM reduced the business in UK share trading that it gave Warburg to the minimum required by law. Page 24

**Britain and US to develop jump jet:** The UK and US are to co-operate on a new generation of jump jet that could replace not only the Harrier but also other conventional naval attack aircraft. Page 7

**Second ferry line to stop animal exports:** Brittany Ferries is to stop exporting animals for slaughter on its routes from the UK to France and Spain because it considers European Union standards of animal welfare inadequate. P&O is to stop animal exports from October unless standards improve. Page 7

**Navy to continue boarding policy:** The Royal Navy said it would continue to board British trawlers in the Bay of Biscay tuna fishing grounds to check their nets to ease tension with foreign vessels. Page 5

**Health reforms 'damage cancer research':** UK National Health Service reforms are damaging cancer research by rewarding hospitals for success in treatment rather than research, according to a survey. Page 7

**Japan's airlines face fight over wage cuts:** Japan's transport ministry is in dispute with the country's airlines over their plans to ease their losses by hiring most new flight attendants at sharply lower wage levels. Page 4

**Howden expands in South Africa:** Scottish-based engineering company Howden Group has expanded its South African operations with the acquisition of Donkin Manufacturing and a number of associated companies for £4.6m ($7.13m) cash. Page 10

**Sally Gunnell wins 400-metres hurdles:** Sally Gunnell of the UK won the 400-metres hurdles final at the European athletics championships in Helsinki in 53.33 secs, the fastest time so far this year. She already holds the Olympic, world and Commonwealth titles for the event.

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Managers may seek swift end to dispute with direct appeal to signalling workers

# Railtrack prepares to bypass union

By Robert Taylor, Labour Correspondent

Railtrack is finalising a strategy aimed at encouraging signalling staff to defy their union's strike calls and bring a swift end to the nine-week dispute.

Management at the state-owned group is preparing to approach workers individually and offer a substantial pay rise in return for accepting flexible working practices.

The move came at the beginning of five days of disruption on the rail network. Yesterday's one-day strike will be followed by stoppages on Monday and Tuesday. Another 24-hour strike is due from noon on Monday August 22.

Mr David Armstrong, Railtrack's industrial relations director, said yesterday: "The prospect of getting the RMT to make an agreement with us while the signalling staff are still on strike is very slim indeed. Only when the union leadership are given a clear message that the men want the strikes to end will they return to the bargaining table."

Mr Armstrong said he was reluctantly preparing an alternative strategy to negotiating with the RMT which would involve putting the restructuring and pay rise package to each individual signal worker for approval.


Timetable for route out of an impasse......Page 7


He would not be pressed on when the company would make such a step, but said he thought time was "running out fast".

A similar strategy was adopted by British Rail in 1991 when, after failing to secure the RMT's backing for a restructuring package for its signalling and telecom engineers, BR went over the heads of the union and signed up 80 per cent of the workforce before the union finally agreed to accept the deal.

Mr Armstrong said he was encouraged by the responses Railtrack had been receiving from signalling staff on the company's telephone "hotlines". He said: "A significant number of workers want restructuring. Some would like to take our package."

Railtrack was not trying to precipitate a showdown with its signalling workers, Mr Armstrong said. If they went on strike again they would not be sacked and replaced. "We don't want 4,500 unemployed signal staff. We want them all back at work."

In 1981, President Reagan was able to fire striking civil air traffic controllers because he could call on trained military air traffic controllers to take over.

Such action was not possible on the British railway network, Mr Armstrong said. It would take from eight to 13 weeks to train new signal staff and in that time most of the network would have to be shut down.

However, he said there was no shortage of recruits willing to become signal workers. "We had two vacancies in the north-east recently and had over 2,000 applications," he said.

"So much for the low pay and poor conditions of signal workers," he added.

Railtrack will spend about £100,000 this weekend on full-page national newspaper advertisements to make a direct appeal for public support in the dispute.

The expense was immediately criticised by Mr Jimmy Knapp, rail union leader, as "a huge waste of money which would be better utilised trying to solve the dispute".

Earlier, Mr Knapp said that there was no need for a fresh ballot of signal workers and accused Railtrack managers of "sitting back in their bunker".

## Russia aids ailing industries with cheap £1.4bn loan

By Chrystia Freeland in Moscow

President Boris Yeltsin has granted Rbs3,500bn (about £1.4bn) in low interest loans to aid Russian industry, raising doubts about the government's ability to confront loss-making enterprises and to keep spending limits agreed with the International Monetary Fund earlier this year.

A decree issued late on Thursday just before Mr Yeltsin left on a tour of the Volga region says the funds are to be divided between the defence sector and "investments" in heavy industry.

The ambiguously worded decree instructs the central bank to issue government credits at one quarter of the prime lending rate.

"It is very disconcerting", an official from a western financial institution said yesterday. IMF economists are examining the decree, which western analysts fear will be the first of many in a continuing but futile attempt to bail out ailing companies.

About Rbs200bn is to be loaned to the defence sector and Rbs400bn is earmarked for industrial investment in the third quarter of 1994. An additional Rbs900bn is to be loaned by the government to the defence industry and Rbs2,000bn is to be loaned for investment in the fourth quarter of this year.

The low interest loans are the Russian government's most decisive step to date in tackling the mounting corporate debts which threaten to overwhelm the Russian economy. But it remains unclear whether the government will be prepared to tackle the loss-making factories by allowing them to fail.

Mr Oleg Soskovets, deputy prime minister and head of a special commission established last week to deal with the inter-enterprise debt issue, yesterday estimated the crippling debt burden at Rbs87,800bn.

"The question of inter-enterprise debt cannot be solved through the issue of credit," Mr Soskovets said. However, he said "we should, of course, make an exception for defence industries".

Debts have mounted as companies have failed to pay suppliers,


Continued on Page 24


Cash boost: John Paul Getty II (inset) and the Three Graces. He does not want the statue to go to the US

## Getty II pledges £1m to keep Graces in UK

By Antony Thorncroft

John Paul Getty II, son of the late American oil billionaire, yesterday pledged £1m to the appeal to keep Canova's statue of the Three Graces in the UK – and prevent its sale to the Californian art museum founded by his father.

On Tuesday Mr Stephen Dorrell, the heritage secretary, agreed to delay for another three months the granting of an export licence to the Getty Museum, which has offered £7.6m for the statue, to enable British galleries and museums to match that sum.

An appeal, led by the Victoria & Albert Museum and the National Galleries of Scotland, had reached £5.8m and Mr Getty's £1m makes it much more likely that the Three Graces will stay in Britain.

Mr Timothy Clifford, the director of the National Galleries of Scotland, said National Gallery trustees and staff were "dancing with joy. I'm sure even the Graces are now wreathed in smiles".

Elizabeth Esteve-Coll, director of the V & A said: "It gives huge impetus to the campaign and will hearten all those who wish to see this marvellous work retained in this country."

If the campaign is successful, it will not be the first time John Paul Getty II, a committed Anglophile who did not get on with his father, has contributed to appeals to keep works of art in the UK and out of the Getty Museum. He was instrumental in retaining a painting by Duccio in 1984 and a bust by Bernini in 1986.


By the Grace of Getty, Wknd XII


## Canada acts to liquidate fourth biggest insurer

By Bernard Simon in Toronto and Alison Smith in London

Canadian government regulators are to wind up the country's fourth biggest insurance company. They took control of Confederation Life Insurance, which had corporate assets of C$19bn (£9bn) at the end of 1993, after the failure of protracted efforts to put together a bail-out package.

Confed has 250,000 policyholders in the UK. Its British arm includes one of the biggest providers of pooled pension products to medium-sized companies, and Confederation Bank, which offers residential mortgage loans and deposit accounts.

The Canadian government said it moved in the interests of policyholders, creditors and depositors, based on information that Confed's assets were not sufficient to provide "adequate protection". The 123-year-old mutual company is the latest victim of the slump in North American property markets.

Confed's collapse is likely to accelerate the shake-up in Canada's overcrowded insurance market where margins have been squeezed by fierce competition.

The company's offices in Canada and the UK will remain open for the time being. Canadian policyholders and depositors are partly covered by the insurance industry's consumer-protection fund, but are nonetheless expected to suffer losses.

The UK arm said yesterday that it was conducting "business as usual". Confed disclosed earlier this week that it was in talks to sell the UK operations to an unidentified financial services group. The negotiations have been taken over by the Canadian regulators and are expected to be concluded shortly.

Canada's superintendent of financial institutions took control of Confed late on Thursday. It will seek a court order to wind it up and liquidate its assets.

The Canadian Life and Health Insurance Compensation Corporation, the industry's protection fund, said Confed would continue to pay death claims and retirement and disability benefits to Canadian policyholders. However, these will be subject to specified ceilings.

Toronto-based Confed had sought an alliance for the past year with Great-West Life Assur-


Continued on Page 24
Axa buys in Canada, Page 11
UK policyholders, Weekend IV




**STOCK MARKET INDICES**

| | | |
|---|---|---|
| FT-SE 100: | 3,142.3 | (+4.1) |
| Yield | 4.00 | |
| FT-SE Eurotrack 100 | 1,352.3 | (-23.70) |
| FT-SE-A All-Share | 1,577.78 | (+0.1%) |
| Nikkei | 20,883.83 | (-157.53) |
| New York: lunchtime | | |
| Dow Jones Ind Ave | 3,767.41 | (+16.51) |
| S&P Composite | 461.55 | (+2.68) |

**LONDON MONEY**

| | | |
|---|---|---|
| 3-mo Interbank | $5\frac{11}{16}$% | (same) |
| Liffe long gilt fut: | Sep $100\frac{11}{32}$ | (Sep $100\frac{5}{32}$) |

**US LUNCHTIME RATES**

| | |
|---|---|
| Federal Funds: | $4\frac{3}{16}$% |
| 3-mo Treas Bills: Yld | 4.446% |
| Long Bond | $100\frac{3}{32}$ |
| Yield | 7.478% |

**NORTH SEA OIL (Argus)**

| | | |
|---|---|---|
| Brent 15-day (Aug) | $17.17 | (17.655) |

**GOLD**

| | | |
|---|---|---|
| New York Comex Aug | $378.2 | (384.0) |
| London | $377.5 | (377.2) |

**STERLING**

| | | |
|---|---|---|
| New York lunchtime: | | |
| $ | 1.5445 | |
| London: | | |
| $ | 1.5467 | (1.5328) |
| DM | 2.4081 | (2.4328) |
| FFr | 8.255 | (8.3307) |
| SFr | 2.0204 | (2.0495) |
| Y | 154.65 | (154.984) |
| £ Index | 79.1 | (79.4) |

**DOLLAR**

| | | |
|---|---|---|
| New York lunchtime: | | |
| DM | 1.5555 | |
| FFr | 5.337 | |
| SFr | 1.3065 | |
| Y | 100.295 | |
| London: | | |
| DM | 1.5857 | (1.5872) |
| FFr | 5.338 | (5.4351) |
| SFr | 1.3083 | (1.3371) |
| Y | 99.99 | (101.115) |
| $ Index | 63.1 | (63.8) |
| Tokyo close Y 100.3 | | |

**CONTENTS**




... C$1.75; China RMB26.50; Cyprus C£1.10; Czech Rep CZK50; Denmark DKr15.00; Egypt E£5.00; Finland Fmk14; France FFr9.50; Germany DM3.80; Greece Dr350; Hong Kong ... Israel NS8.90; Italy L3000; Japan Y500; Jordan JD1.50; Korea Won 3000; Kuwait Fils.625; Lebanon $US1.50; Luxembourg LFr60; Malaysia Rin4.80; Malta Lm0.60; Morocco Dh15.00; ... Pakistan Rs40; Philippines Pso 50; Poland Zl 32,000; Portugal (m'land) Esc220; Qatar QR13.00; S.Arabia Rl11.00; Singapore S$4.30; Slovak Rep K32.80; South Africa R12.00; Spain ... NT$65; Thailand Bht50; Tunisia Din1.600; Turkey L30000; UAE Dh12.00; USA $1.50





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# Crime bill defeat will test durability of 'comeback kid'

## President Bill Clinton must regroup quickly to minimise fallout after the devastating House vote, writes **George Graham**

President Bill Clinton promised to "fight and fight and fight until we win this battle for the American people" as the White House and the Democratic leadership in Congress tried to regroup yesterday after their devastating defeat in the House of Representatives on the crime bill.

But the vote dealt an immediate knock-on blow to Mr Clinton's most cherished objective of healthcare reform, when House leaders decided at a late night meeting to delay debate on the health bill – possibly into September.

Cabinet secretaries scattered after an emergency meeting yesterday morning for a lobbying blitz on Capitol Hill, while Mr Clinton himself flew to Minneapolis – accompanied by Republican and Democratic mayors – to rally support at a meeting of the National Association of Police Organisations.

"We are going out now – the cabinet, mayors of both parties, citizens of both parties all across this country – to say that this crime bill cannot die," Mr Clinton said as he boarded the presidential Boeing 747 on his way to Minneapolis.

Congressional leaders scrambled to negotiate changes to the crime bill, which includes measures such as gun control, more police and the "three strikes and out" rule imposing mandatory life sentences on repeat offenders.

The bill was blocked on Thursday evening as the Republican leadership and the gun lobby linked to defeat by 225 votes to 205 a procedural motion for debate to begin.But Mr Thomas Foley, Speaker of the House, predicted it would be brought back to the floor and win passage next week.

Nevertheless, Thursday's surprising setback – despite furious lobbying from the president – has already started to ripple wider.

Unless the White House can win back the initiative on both crime and healthcare in the next few weeks, Mr Clinton's entire presidency could become bogged down. If he cannot win in this Congress he is less likely to do so after November's congressional elections, when the Democrats seem certain to lose seats and could even lose their majorities in one or other chamber.

"We're at a turning point both in the administration and in the country," said Mr Robert Reich, labour secretary and an old friend of the president.

No one expects a healthcare reform bill to pass by more than a handful of votes, but members will be less inclined to stick their necks out on a difficult vote for the president after his defeat on crime.

Until now Mr Clinton and his allies could always say he had pulled off crucial votes such as his budget last year, or the North American Free Trade Agreement. Now, however, the label of loser will be harder to shed.

Abroad, Mr Clinton has still not extricated himself from the complications of Haiti, Bosnia, Cuba and Rwanda. Any of these could blow up in the weeks ahead.

Nor does the vote bode well for the promise of a more disciplined and focused White House under the new chief of staff, Mr Leon Panetta, whose long experience as a member of Congress was expected to help the administration on Capitol Hill.

Congress already faces a crowded agenda before it goes home for November's elections, in which the entire House and one third of the Senate must face the voters. Other bills are now likely to be simply pushed off the calendar, while even crime and health legislation could simply run out of time.

This is scarcely auspicious for Democratic members of Congress, many of whom are already seeking to distance themselves from Mr Clinton. Now they will have no crime bill to wave in front of their constituents, and they must face the charge that, despite a majority in both houses of Congress, they are unable to deliver.

The vote is not without peril for the Republicans, however, some of whom are nervous at the prospect of returning to their districts to face criticism for having blocked the anti-crime legislation. At the same time, Republicans risk being viewed as obstructionists and agents of gridlock.

Mr Reich said yesterday that Mr Clinton was "as usual, resilient," while Ms Donna Shalala, secretary of health and human services, said the entire cabinet was "riled up and enthusiastic". Nevertheless, rebounding from this defeat will be hard, even though Mr Clinton loves to call himself "the comeback kid".

# Berlusconi preaches optimism on TV

By Andrew Hill in Milan

Mr Silvio Berlusconi, Italy's prime minister, last night broadcast "a message of confidence" to the Italian people, at the end of a turbulent day on currency, bond and equity markets. "Things have never been so good," he insisted.

Mr Berlusconi flew back to Milan from his holiday home on Sardinia to record a series of television interviews in an attempt to calm fevered markets and dispel worries about his government. Even though Italy is well into the holiday period, and preparing for a long weekend, the government is under severe pressure from critics, both within and outside the coalition.

On Thursday, the Bank of Italy unexpectedly increased interest rates by half a point, to defend the currency. Analysts have also interpreted the rise as a strong hint from the central bank that the government should act soon to tackle the country's looming budget deficit.

The attempt to protect the lira appeared to have backfired yesterday, with the currency slipping to nearly L1,030 against the D-Mark.

At the beginning of the week, it had stood at less than L1,000 against the German currency.

Equity and bond markets were also hit hard by the rise in rates, the first increase since the September 1992 crisis of the European exchange rate mechanism. At one point Milan stocks had slipped by more than 5 per cent on the day, but the Comit index recovered to close at 644.43, down 3.7 per cent. Meanwhile, the yield on the 10-year benchmark bond rose to 11.73, up from 11.39 on Thursday. The markets are closed in Italy on Monday.

Confindustria, the Italian industry federation, was sharply critical of the Bank of Italy's move yesterday, warning that it "runs the risk on the one hand of failing to eliminate uncertainty on the markets, and on the other of feeding a negative spiral of rate rises".

The federation also urged politicians to quieten down: "The best contribution politicians can make... is to take a more or less well-deserved holiday, and refrain from giving interviews under the sun umbrella."

Mr Berlusconi himself encouraged controversy yesterday with the publication in the International Herald Tribune of an interview, conducted in the middle of the week, in which he admitted that executives of his Fininvest business paid bribes to tax officials.

However, he played down the scale and importance of the bribes, and claimed that he had no personal involvement in the affair.

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# Milosevic stands by Bosnia blockade

## Serbian leader hopes enforcing the boycott will bring an end to sanctions, writes **Laura Silber**

Motorcyclists wait to cross from Bulgaria into Yugoslavia. Every day more than 3,000 cyclists wait six hours to cross the border and sell petrol from their tanks, at a profit of DM1 per litre Reuter

At first, it seemed another Machiavellian manoeuvre to hoodwink the international community. But a week into Belgrade's embargo against the self-styled Bosnian Serb state, President Slobodan Milosevic of Serbia appears to be carrying out his decision to isolate his former protégés over their rejection of the international peace plan.

In May 1993, when Bosnian Serb leaders spurned his efforts to promote the Vance-Owen peace plan, the embargo he threatened was forgotten within days of being announced.

However – at least for now – Belgrade's move seems genuine. Except for a handful of lorries, transport to Bosnian Serb-held land has ground to a halt. Financial transactions are blocked. Most telephone connections have been cut. The pliant state media no longer vilify the west for "unjust sanctions". Instead commentaries blame the war profiteering and bellicose politics of Bosnian Serb leaders for sanctions against Yugoslavia.

Mr Milosevic has not had it all his own way on the propaganda front. Pale, the Bosnian Serb stronghold, calls it betrayal – anathema to a population fed a steady diet of nationalism over the past three years of war.

And the Serbian Orthodox Church this week also accused Mr Milosevic of national treachery, swinging its support behind the Bosnian Serb leadership.

However, after more than a week of aggressive television propaganda, public opinion in the distorted political landscape of Serbia is now widely in favour of the plan which calls on Bosnian Serbs to concede a third of the 70 per cent of Bosnia they currently control. At the same time, surveys suggest that many Serbs who support the plan oppose the embargo against their Bosnian kith and kin.

Tired after three years of war in neighbouring Croatia and Bosnia, and more than two years of UN sanctions, Serbia has been surprisingly quick to embrace Mr Milosevic's turnaround in the hopes that peace will go hand-in-hand with economic recovery.

Mr Milosevic claims peace is "the single most important interest of the Serbian people".

The Serbian president over the past year paved the way for the final showdown with the Bosnian Serbs. To get rid of extremists in Serbia, he called early elections and unleashed a merciless smear campaign against his erstwhile ultra-nationalist ally, Mr Vojislav Seselj, a deputy and paramilitary leader.

He systematically purged nationalists from any position of power – the ruling Socialists, the police and the Yugoslav army. He has replaced nationalistic rhetoric with leftist nostalgia for former Yugoslavia. He had a hand in the well-placed "revelations" that Bosnian Serb leader Radovan Karadzic and his associates were involved in various criminal affairs, depriving Serb citizens of millions of dollars.

Mr Milosevic is now looking to the west in the expectation that his gamble to cut off the Bosnian Serbs will be rewarded with the easing of sanctions. In Serbia, hopes have been raised that any day now the UN embargo could end.

Meanwhile, western governments and Russia have not yet formulated their response to Mr Milosevic. They will most likely ask him to agree to the despatch of UN monitors along the border between Serbia and Bosnia. In return, they may offer the opening of the airport in Belgrade.

Mr Thorvald Stoltenberg, the UN mediator, yesterday met Mr Milosevic in Belgrade in an apparent attempt to persuade Serbia to back the dispatch of monitors to the 48 border crossings.

If Mr Milosevic continues the blockade, the Bosnian Serbs will have little choice but to endorse the peace plan.

Aides to Mr Milosevic predict that Mr Karadzic will not hold out for more than 10 days, claiming Bosnian Serb reserves are depleted.

Yet, despite their total isolation, Bosnian Serb leaders seem confident. The thought that the war is nearly over appears far from their minds.

# Investors count cost of diamond rush

## Few winners left after Canadian prospecting frenzy, reports **Bernard Simon**

A shock has hit hundreds of investors on the Toronto and Vancouver stock exchanges in the past week. In just two days, more than half a billion dollars was wiped from the value of exploration companies which have been involved for three years in a diamond rush over an area almost as big as the UK in Canada's Northwest Territories.

The sell-off was triggered by an announcement from Kennecott, the US subsidiary of the UK mining group RTZ, that samples from one much-touted kimberlite pipe do not contain enough precious stones to justify further exploration.

The international mining community was caught off guard. Kennecott had carried out its tests in utmost secrecy at a gold mine near Yellowknife, the Northwest Territories' rough, boisterous mining centre. It refused even to share progress reports with its partners in the project. "We were absolutely dumbstruck," says Mr John Hainey, mining analyst at Canaccord Capital, a Toronto securities firm.

Kennecott's shell-shocked junior partners watched their share prices dive by as much as 85 per cent. Three of them – Dentonia Resources, Horseshoe Gold Mining and Kettle River Resources – were worth a combined C$178m (£83m) the day before Kennecott dropped its bombshell. Two days later, their market value had shrivelled to just C$30m. The three companies have called off a planned merger.

The Great Canadian Diamond Rush thus passes into history as another sobering reminder of how the merest whiff of riches under the ground can sweep entrepreneurs, hard-nosed analysts and gullible investors off their feet.

Any geologist will confirm that the chances of finding enough diamonds to justify more than one mine in a single area are never high. Diamonds are found in the greyish rock known as kimberlite. But only about one out of every 200 kimberlite pipes contain diamonds, and no more than one in 20 of those has enough big stones to justify a mine.

Such long odds did not discourage exploration companies from flocking to the Northwest Territories, nor analysts from recommending their shares, in the ambiguous phrase of one recent report, as a "strong speculative buy".

Mr Hainey invokes a gambling metaphor. "The prize is so high," he says. "People are prepared to put their money into the lottery." As with a lottery, one big winner will probably yet emerge from the Northwest Territories. A consortium of Australia's BHP Minerals and its Canadian partner, Dia-Met Minerals, is expected to start construction early next year on a mine near Lac de Gras, about 300km north-east of Yellowknife. On present indications, the mine will be one of the world's premier diamond producers.

The story of BHP and Dia-Met's achievement is perhaps even more impressive than Kennecott's disaster.

The Northwest Territories presents unusual challenges for men and machines. The vast expanse of treeless tundra is covered by snow and ice for more than half the year, with temperatures dropping so low in mid-winter that trucks and machinery must be kept running around the clock to prevent their engines freezing. A shovel's metal blade becomes so brittle that it is liable to snap when weight is put on it.

Diamond fever in the Frozen North goes back to the early 1980s. Mr Hugo Dummett, a geologist working for Superior Oil, was tipped off by a bush pilot that De Beers, which controls the world diamond market, was prospecting near the Mackenzie River.

Under cover of darkness, Mr Dummett and Mr Charles Fipke, a Canadian geologist and Dia-Met's founder, landed a helicopter close to the De Beers lakeside camp and picked up eight or nine samples of their own.

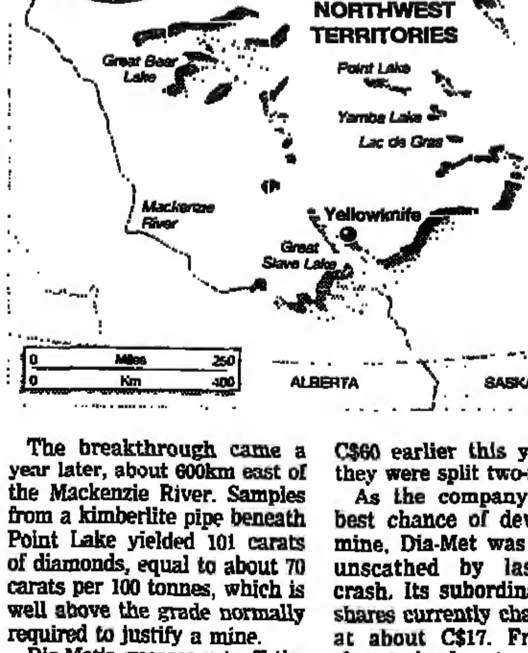
Superior Oil got out of mining exploration after it was bought by Mobil, the US energy group. But Mr Fipke continued the search, slowly moving eastward towards the source of the vast ice sheet which scraped up – and then deposited – metal-bearing rocks across northern Canada millions of years ago.

The long search almost broke Dia-Met. Mr Fipke recalled in an interview last year that several big mining companies which he approached for funds "turned us down flat".

Several fellow-directors at Dia-Met walked out. By 1987, only Mr Fipke's son and a pilot were left to help him sample the kimberlite outcrops.

In the meantime however, Mr Dummett moved to BHP. He persuaded his new Australian bosses to form a joint venture with Dia-Met in 1990.

The Great Canadian Diamond Rush




The breakthrough came a year later, about 600km east of the Mackenzie River. Samples from a kimberlite pipe beneath Point Lake yielded 101 carats of diamonds, equal to about 70 carats per 100 tonnes, which is well above the grade normally required to justify a mine.

Dia-Met's success set off the prospecting frenzy. Claims covering 53m acres (81,700 square miles) have been staked in the Lac de Gras area over the past three years.

Mr Gordon Stewart, whose Yellowknife-based company ferries supplies to remote mining camps, estimates that business has "very easily doubled". His company has arranged over 2,000 supply flights over the past 12 months.

Subsequent work by BHP and Dia-Met around Lac de Gras unearthed even richer deposits than Point Lake. The two companies have advanced to a full feasibility study which should be completed around the end of the year. If all goes to plan, the BHP-Dia-Met mine will be in production by 1997.

Anyone who shared Mr Fipke's early optimism has made a fortune. Dia-Met shares, which were trading at around 70 cents in August 1991, soared to a peak of over C$60 earlier this year, when they were split two-for-one.

As the company with the best chance of developing a mine, Dia-Met was relatively unscathed by last week's crash. Its subordinate voting shares currently change hands at about C$17. From being close to bankruptcy, Mr Fipke, who appears in Dia-Met's latest annual report wearing his favourite weather-beaten brown jersey and blue jeans, is now worth C$120m.

Hopes for a second Lac de Gras diamond mine had been pinned on the Kennecott joint venture. But Kennecott, which came to the NWT relatively late, was more impatient and less deliberate than BHP. "They showed up with a blank cheque book and signed up everybody close to the to Dia-Met claim block," recalls a geologist at one rival company.

Kennecott also cut corners in its bid to catch up to the Australians. While BHP gradually increased the size of its samples, the US company went straight from a small 2-tonne sample to a costly, underground programme involving about 5,000 tonnes.

With Kennecott and its partners now licking their wounds, attention has shifted back to De Beers. The South African group recently signed a tentative agreement with two junior exploration companies, Tanqueray Resources and Mill City Gold, which are confident that they have a promising prospect at Yamba Lake, north-west of Lac de Gras.

De Beers has taken samples from Yamba Lake to its laboratories in South Africa for further tests. It is due to decide in the next few weeks whether to press ahead with the joint venture. The question however, is whether investors who have suffered heavy losses are in any mood to put more money into the Lac de Gras diamond play. Last week's setback could deprive many small companies of the capital they need to continue their search.

Mr Stewart, whose Yellowknife supplies business has profited handsomely from the boom, is among those who has lost heavily on his investments.

Despite the setback however, it probably would not take much to revive the irrepressible confidence (some would call it greedy recklessness) which is a hallmark of mining exploration. Another speculative bubble could quickly appear if De Beers or one of the other companies makes another encouraging find.

News of the Kennecott debacle was only a few hours old when mining analysts at Crédit Lyonnais Laing in London were advising clients that "any fall in the share price of [De Beers' new partners] must be considered a strong buying opportunity." By the middle of this week, many of the junior companies' shares were starting to creep back up again.

INTERNATIONAL NEWS DIGEST

# Germany's SPD lays out plans for tax changes

Germany's opposition Social Democrats yesterday fleshed out their plans for drastic tax changes if they win the October election, promising to scrap the government's 7.5 per cent "solidarity surcharge" to pay for unification at their first cabinet meeting. They are also promising a big increase in child allowances at once, and a rise in the tax threshold from 1996. The two first measures would come into effect almost immediately – by January 1. To pay for the cuts, higher earners, with more than DM60,000 (£24,800) a year taxable income, will have to pay a 10 per cent income tax surcharge, and married couples will lose some tax benefits. Mr Oskar Lafontaine, the party's economy and finance spokesman, said the whole package amounted to DM75bn in tax changes, with a neutral effect on revenues, but big benefits for the great majority of low-paid wage earners. The SPD also plans environmental tax reform, intended to promote less use of energy and raw materials, which would be introduced after 1996, Mr Lafontaine said. *Quentin Peel, Bonn*

## Stockholm currency weakens

The Swedish krona weakened ominously yesterday despite Thursday's surprise increase in interest rates by the central bank aimed at stiffening the currency and halting signs of resurgent inflation. The combination of rising interest rates and a sagging currency heightened fears that Sweden, carrying a huge budget deficit and spiralling public debt, is entering a vicious cycle in which high interest rates deepen the deficit in the public sector, which in turn weakens the krona and ultimately leads to greater borrowing requirements. The krona slipped below SKr5 to the D-Mark to end the day at SKr5.018 and was also weaker against an Ecu-denominated index. The index rose by 0.45 to stand at 128.99. Meanwhile, the Stockholm stock exchange fell by more than 1.8 per cent for the second day in succession and market interest rates continued to increase. Yields on five-year government bonds were up 36 points at 11.29 per cent and interest on 12-month treasury bills rose 33 points to stand at 9.95 per cent. The nervousness hitting Swedish markets has been exacerbated by the uncertainty surrounding next month's general election. *Hugh Carnegy, Stockholm*

## More Swedish support for EU

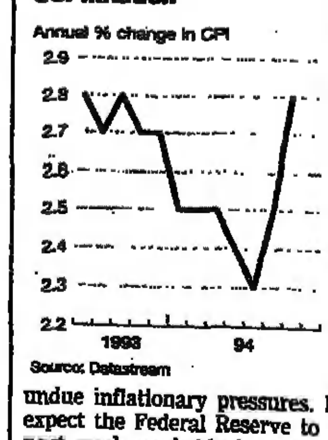
Support for Sweden's bid to join the European Union has increased significantly, cutting the lead held by the anti-Brussels camp in the EU referendum campaign to its smallest margin for months, an opinion poll published yesterday showed. The Gallup poll in Expressen newspaper, the first on the EU issue since before the July holiday, showed the Yes vote rising three points to 38 per cent from a similar poll in June, while the No vote slipped one point to 40 per cent. The result is a boost for the right-centre coalition government and the opposition Social Democratic party, which are campaigning for a Yes vote in the November 13 referendum but have faced a firm lead by the No side for most of the past year. However, the large portion of voters – 23 per cent – still undecided signals continued uncertainty over the outcome. *Hugh Carnegy, Stockholm*

## Italian grand prix cancelled

Fia, the governing body of world motor sport, yesterday decided to cancel the 65th Italian grand prix, due to be contested on September 11, ending weeks of uncertainty caused by a row between tree-hugging environmentalists and road-hogging Formula One drivers. Environmental groups have been protesting against proposals to fell more than 100 trees and extend the gravel-filled safety lane at one fast right-hand bend on the track. Drivers called for the improvement after the accident which killed Ayrton Senna at the San Marino grand prix earlier this year. Various local and national authorities failed to come to a final decision on whether trees or turbos should have precedence, until yesterday, when Fia decided it had had enough and cancelled the race. Mr Aldo Moltifiori, mayor of Monza and the grand prix's strongest advocate locally, claimed direct and indirect earnings from the grand prix amounted to L70bn a year, with 100 jobs depending directly on the race, and a further 1,400 temporary employees helping on race day itself. *Andrew Hill, Milan*

## US consumer prices up 0.3%

US: Inflation




Source: Datastream

US consumer prices in July rose by a subdued 0.3 per cent, the same increase as in the previous month, according to a Labour Department report out yesterday. As with the wholesale price index published on Thursday, higher energy and coffee prices were the main components in the rise. The core rate in July – excluding food and energy – went up by just 0.2 per cent, lower than the 0.3 per cent recorded in each of the two previous months. The CPI now has risen at an annual rate of 2.7 per cent so far this year, suggesting no undue inflationary pressures. Nevertheless, the markets still expect the Federal Reserve to raise short term interest rates next week, probably by 0.25 per cent to 4.5 per cent. *Jurek Martin, Washington*

## Spain's recovery continues

Confirmation of Spain's gradual recovery from economic recession coincided yesterday with a slight resurgence in the headline inflation rate. A 0.4 per cent rise in consumer prices in July brought the year-on-year rate back up to 4.8 per cent compared with 4.7 per cent in June. The government target of 3.5 per cent for the year is increasingly less likely to be met. Fresh food prices climbed by 1 per cent in the month. The underlying rate – excluding volatile food and energy prices – was more moderate at 0.2 per cent in the month, bringing the annual increase down from 4.4 to 4.3 per cent. The Bank of Spain said growth was over 1 per cent in the second quarter compared with the same period last year. *David White, Madrid*

NEWS: INTERNATIONAL

Paris opera house rocked by last-minute dismissal

# Storm at Bastille sinks its conductor

By Alice Rawsthorn in Paris

Yet another drama has unfolded at the scandal-scarred Opéra Bastille in Paris with the dismissal yesterday of Mr Myung Whun Chung, the acclaimed South Korean conductor, as its artistic director only a month before the start of its new season.

Mr Chung won praise at the Bastille for productions such as Shostakovitch's Macbeth. However, his tenure in Paris has been clouded by the highly-publicised problems of the Bastille.

It has fared well in terms of attendance but has been plagued by strikes and financial difficulties since its glittering opening by President François Mitterrand as a state-of-the-art "people's opera" on the 200th anniversary of the 1789 French revolution.

The departure of Mr Chung, 41, who joined the Bastille five years ago following the firing of Mr Daniel Barenboim, the Israeli-born conductor, ends weeks of wrangling between him and the Paris Opéra's new management team led by Mr Hugues Gall. Mr Gall is a former bureaucrat who was appointed director-designate last summer after the election victory of Mr Edouard Balladur's centre-right government.

Mr Chung had been brought into the Bastille by Mr Gall's predecessor, Mr Pierre Bergé, feisty head of the Yves Saint-Laurent fashion house and a close friend of Mr Mitterrand.

The appointment of Mr Gall, whose operatic empire includes the 19th century Garnier opera house and Opéra-Comique as well as the brand new FFr3bn (£360m) Bastille, immediately sparked speculation about the Korean's future.

The behind-the-scenes battle between the two men came out into the open on Thursday when Le Monde newspaper published an interview with Mr Chung.

The conductor claimed that the new management was trying to curb his artistic freedom and to change the terms of his contract, which was to run until the year 2000 with a sliding scale salary rising to FFr8m in his final year.

Although Mr Chung told Le Monde that he would be willing to make "a significant financial sacrifice" to stay at the Bastille, he made it quite clear that he was not willing to relinquish his power over the choice of productions or artistes.

However, Mr Gall has made no secret of his intention to exercise full authority over every aspect of the Paris Opéra's activities.

The Opéra yesterday issued a formal statement saying that it had terminated Mr Chung's employment because he had rejected all its proposals to shorten his contract. The Korean was said to be considering legal action.

Mr Gall now faces the challenge of getting to grips with all of the Bastille's problems, as well as pressing ahead with his plan to shed 119 of the Paris Opéra's 1,700 staff and preparing for the start of the Bastille's new season on September 19 *without* an artistic director.

# Beating the big freeze in Ulan Bator

By Andrew Taylor, Construction Correspondent

Having hauled equipment 8,000km across the former Soviet Union under armed guard, an Anglo-German joint venture is racing against time to beat the Big Freeze in an attempt to modernise Mongolia's only international airport at Ulan Bator.

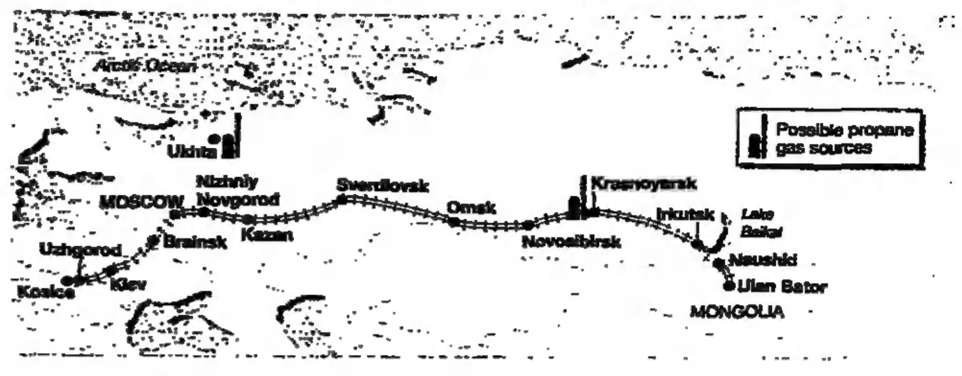
In two months it will be too cold to work outside. Before then the contractors – Wimpey of the UK and Philipp Holzmann of Germany – must reassemble some of their 500 tonnes of construction equipment, knowing that the nearest spares are seven time zones away.

The equipment for the airport, including a 140 tonne British asphalt mixing plant cut into component parts and accompanied by armed guards, took 16 days to travel from Kosice in Slovakia to the Mongolian capital.

The parts need to be welded back together before contractors can start resurfacing the 3,200 metre runway. But the intense cold is just one of the problems which will have to be overcome by the two companies which won the $31m (£20m) contract.

Almost all the equipment and materials needed to resurface the runway, overhaul aircraft taxi and parking areas, construct a new control tower and refurbish the airport terminal will need to be imported.

The asphalt mixing plant and other construction equipment and spares, much of it used by Wimpey on an airport contract in Slovakia, was transported in two trains. A mobile crane, on a defective truck, is still making slow progress through Siberia. The rest of the equipment, including electric generators to augment the shaky Mongolian power supply, has arrived safely.




The rifle-toting guards, veterans of the Afghan war, were customary on freight trains crossing the former Soviet Union, said Mr Nick Connor, general manager of Wimpey Asphalt's overseas division. In this case, the only pilfering that occurred was inside Slovakia when lights for night working and a small electric motor were stolen.

Night work, out of doors, will become impossible by mid-September. By the end of October all outside work will halt until spring. Resurfacing the runway, due to be completed by the end of this year, must start in the next fortnight if the timetable is to be met.

Agreements have still to be reached with Russian oil refineries which, because of shortages in Mongolia, will have to supply 2,000 tonnes of bitumen for asphalt as well as 500 tonnes of diesel and 150 tonnes of petrol. Even propane gas used to heat asphalt laying pavers will need to be imported.

Negotiations are taking place with four refineries. The nearest is at Krasnoyarsk in Siberia, 800km from Ulan Bator. The farthest is 8,000km away at Ukhta close to the Artic circle.

One of the problems for the contractors is that 86 per cent of the finance for the project comes from the Asian Development Bank which stipulates that purchases of equipment and materials can be made only from member countries, which excludes Russia.

The contract also involves moving Russian-built navigation equipment to work alongside newly purchased western navigation aids. Engineers, employed by an east German sub-contractor with experience of Russian equipment, will work on the project.

Slovakian engineers who worked with Wimpey in Slovakia will help train Mongolian construction workers who cost $150 (£96.70) a month in pay and keep compared with $8,500 a month for a European worker. That was 40 Mongolians for the price of one European, Mr Connor pointed out.

"There is no way we could complete the job for this price without using local labour. At the peak we will employ about 200 workers, of which three quarters will be Mongolian."

Plant is a different matter. Most local equipment comes from the former Soviet Union. In terms of technical sophistication and reliability it is 20-30 years behind that used in the west, the Wimpey boss said.

Ulan Bator has a population of some 600,000 people of which about half live in yurts, the traditional tent-like home of the nomadic Mongolian people. Expatriate construction workers, however, will be housed in flats connected to the Russian hospital where Wimpey and Holzmann have their offices.

The hospital needs to raise finance to remain operational and is renting out part of its space to commercial concerns. It will also provide medical insurance at $20 per person to Wimpey and Holzmann.

Both companies plan to bid for further work in Mongolia with several large road contracts expected to go to international tender. After the struggle of getting its equipment to Ulan Bator, Wimpey hopes not to have to haul it so far for the next job.

# US in nuclear conundrum on North Korea

## Would it be wise to supply Pyongyang with water-cooled reactors made in the west?

By Bernard Gray

Unlikely as it may seem, the US may have to supply advanced nuclear technology to North Korea to stop its atomic bomb project. This may appear like helping an alcoholic by giving him a bottle of Scotch, but it could be the best way to resolve the dispute.

On the table at the negotiations between North Korea and the US in Geneva this week is a proposal that the US supply the Koreans with water-cooled reactors if Pyongyang agrees to shut down its gas-cooled graphite stations. The difference between the two is important because water-cooled reactors would make it more difficult to start an illicit nuclear weapons programme.

Nuclear reactors produce energy for electricity by splitting uranium atoms and releasing heat. They can also be used to produce material for atomic weapons because other nuclear reactions occur in the fuel rods of a reactor. One of the most important is the conversion of uranium into plutonium – a man-made element which can be used as the explosive in atomic bombs.

All reactors produce this plutonium, but the kind which is most explosive in atomic bombs is called Plutonium-239. This is made in the early months that the uranium fuel is in use. Once the fuel has been in the reactor for some time, the Plutonium-239 is itself converted into other forms of the same element called Plutonium-240 and Plutonium-241 which are much less explosive.

So to make atomic weapons, the nuclear fuel is ideally only used in a reactor for a few months, taken out and the constituents chemically separated. The nearly-pure Plutonium-239 is then available for use in bombs.

Graphite reactors – such as used by the North Koreans and by the UK for nuclear weapons manufacture – often have their fuel in the reactor for a much shorter time than in water-cooled reactors, the type used for power production by the US and France . This is because they use less-expensive fuel which loses its reactive qualities more quickly. They therefore tend to produce more weapons-type Plutonium than water cooled reactors.

Water-cooled reactors use a more expensive fuel which is pepped-up or "enriched" with the more reactive form of uranium. They can thus run for much longer between fuel changes and indeed must do so if the extra cost of the fuel is to be justified. As a result, water-cooled reactors produce plutonium which has a much lower content of the explosive form.

Graphite reactors are also easier to shut down and restart than water-cooled, and the fuel can be removed more quickly. An operator who wanted to skirt around international restrictions would find it hard to disguise from international inspectors the minimum four-or-five day shutdown a water reactor requires for refuelling.

If North Korea used water-cooled reactors they would produce less bomb-quality plutonium and would be easier to monitor, but there are several snags and loopholes.

First, building a water reactor to meet North Korea's electricity requirements would be very expensive. The plant would be about half the size of the recently-completed Sizewell B plant in Suffolk, England, which cost more than £2bn. It is far from clear who would pay to build a Korean water reactor, still less certain what message this would send to other potential weapons states.

It is also possible, if uneconomic and more difficult, for North Korea to cheat using a water-cooled reactor. Furthermore the North Koreans have enough used graphite reactor fuel to make several atomic bombs which would have to come under international controls. If the International Atomic Energy Agency, the body responsible for monitoring, does not get a free hand to inspect all Korean facilities, Pyongyang could restart a small weapons reactor elsewhere or convert plutonium it has hidden into weapons.

Unless the US can get the North Koreans to agree to the kind of inspection arrangements it has so far rejected, promising western high-tech goods to the Koreans may not lift the threat of a clandestine nuclear state developing in Asia.

# Strong yen widens Japan's trade gap

By Gerard Baker in Tokyo

The combination of a strong yen and rapid growth in the country's principal export markets pushed Japan's trade surplus higher again in July, according to preliminary figures published yesterday by the Ministry of Finance.

The customs-cleared merchandise surplus rose last month by 4 per cent from a year earlier to $12.3bn (£7.9bn), the highest July figure on record and the fifth largest for a single month.

Exports rose 6.9 per cent to $34.44bn, and imports grew 8.5 per cent to $22.15bn. The longer-term trend suggests the surplus is narrowing, but only slowly. In the three months to July the figure was 2.3 per cent lower than in the same period a year ago.

The steep appreciation of the yen in the last few months has kept the dollar-denominated surplus stubbornly high, as the value of the country's exports has risen rapidly.

The politically troublesome surplus with the US was $5.6bn last month, up 20 per cent on a year ago. A Ministry of Finance official attributed the sharp rise to the high yen and the strength of the US recovery. He noted that the rate of growth was slowing, but said prospects in the next few months would depend on developments in the currency markets.

The most important factor in the long-term movement of the trade balance, however, is the pace of Japan's economic growth. The government's Economic Planning Agency (EPA) yesterday gave a slightly more upbeat assessment of growth prospects, although once again it refused to state unequivocally that a recovery was under way.

In its monthly report it contented itself with observing that "bright spots have been spreading lately and there are movements towards pulling out of the slump - but gradually". Its reluctance formally to declare a recovery contrasts with the assessment of the Bank of Japan, whose governor, Mr Yasushi Mieno, on Wednesday repeated its view that the economy was "headed for recovery".

Yesterday an EPA official said "the situation is not such that the word 'recovery' can be used," citing continuing weakness in capital spending and uncertainty about the yen.

Meanwhile, corporate bankruptcies declined last month by 0.3 per cent from a year earlier, according to figures published yesterday by the Teikoku Databank, a private credit research agency. Total cases fell to 1,126, the first year-on-year drop for four months.

# Airlines face dogfight over new staff contracts

By Gordon Cramb

The Japanese Transport Ministry is threatening a confrontation with the country's airlines over their plans to hire most new flight attendants on short-term contracts at sharply lower wage levels.

The airlines, pushed into losses by the domestic recession, the high yen and a worldwide decline in demand for first and business class seats, are anxious to cut costs.

In the past few years they have stepped up recruitment of foreign cabin crew, who are commonly paid a fraction of what their Japanese colleagues earn. Now they aim to hire Japanese, largely for domestic routes, who would be paid by the hour and could not expect to earn more than a third of the salary paid to their colleagues.

The move is a further erosion of Japan's system of lifetime employment. The contract staff who, although described as part-timers would usually work a full week, could be shed and rehired as traffic demands.

Mr Shizuka Kamei, transport minister, said after a cabinet meeting yesterday that co-operation between regular cabin crew and the contract recruits could be disrupted during an in-flight emergency. He said the airlines should rather look for savings among ground staff and warned the ministry could retaliate, for example by refusing applications to open new routes.

Mr Michihiko Matsuo, the ministry's top civil servant, sought to dilute his warning, saying the ministry could not regulate employment at airlines and did not intervene in labour issues.

By invoking the issue of onboard safety, Mr Kamei has distressed the airline industry. Japan Airlines said yesterday: "Our plans to employ part-time stewardesses pay very close attention to safety and security. We will study any recommendation from the ministry."

JAL has begun advertising for what it says would be an initial 100 contract flight attendants – all women – who would be based in Japan and would serve domestic routes. This number would eventually rise. The airline has some 6,000 full-time Japanese cabin attendants, but hopes to reduce these to 4,600 by 1998 in a drive to cut its total staff to 17,000 from a level of nearly 22,000.

● Japan moved further yesterday towards deregulating its domestic rice market when a government advisory council called for a wartime law controlling production and distribution of the staple to be scrapped. The government is expected to accept the broad findings of the Agricultural Policy Council.

# Chinese hit by optic fibre glut

By Tony Walker in Beijing

**China's fledgling optical fibre cable industry is in crisis due to a nationwide glut that has forced some plants to close and others to slash production.**

**This will be ominous news for international telecommunications companies like AT&T and Alcatel which are planning optical fibre plants in China.**

The official Economic Information Daily newspaper said yesterday China's cable production capacity had reached 300,000km annually, compared with demand of 60-70,000km. Some 80 companies producing optical fibre had already been set up with another 40 planning to enter the field. "By the time all these companies are ready," it said "China would be able to produce more than 400,000km of optical cables, four to five times more than the market demands".

Problems of oversupply in the Chinese market are being exacerbated by the global glut. The Yangtze Optical Cables, based in Wuhan, central China, and one of the country's leading producers, has been forced to cut prices by up to 15 per cent to preserve its share of the market.

Local and international producers have swarmed into the market, lured by China's huge demand for cable to satisfy its ambitious telecommunications expansion plans. But Mr Xu Shanyan of the Ministry of Posts and Telecommunications, said yesterday the ministry had been warning companies of an impending glut in optical fibre cables.

"We do welcome competition," he said, "but the problem is that we can't have too many factories. This will not only have an adverse effect on investors, but also on our own joint ventures."

Mr Xu said there were no plans at this stage to freeze the building of new optical fibre plants, but he urged investors to study the market carefully.

## Rafsanjani is seen to have lost control at home and abroad

# Iran simmers with discontent

By Scheherazade Daneshkhu

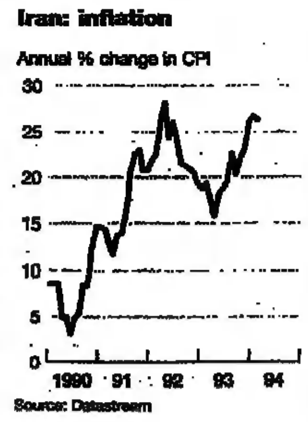
While international attention has again focused on Iran in the wake of bomb attacks against Israeli targets in London and Buenos Aires, the government of President Ali Akbar Hashemi Rafsanjani has been facing increasing violence and unrest at home.

Earlier this month riots broke out in Qazvin, an industrial city 50km north of Tehran, ostensibly over the rejection by the Iranian parliament of a proposal to allow the city of 1m people to become an autonomous province, devolved from that of Zanjan.

The unrest, which resulted in at least four deaths, was so serious that Mr Ali Mohammad Besharati, interior minister, was forced to visit Qazvin and pledge that, as a comprise, it would be separated from Zanjan and included in Tehran province instead.

The most spectacular violence occurred in June, when a huge bomb exploded at the country's most important Shia religious shrine – the mausoleum of Imam Reza in the holy north-eastern city of Mashhad – killing dozens of people. The bomb was possibly in revenge for the earlier destruction of a Sunni mosque by the authorities which triggered serious riots in the eastern town of Zahedan, with its large Sunni population. Potentially the most serious incident of the year occured in February when

Iran: inflation




Source: Datastream

a gunman fired shots at Mr Rafsanjani, who was unwounded, at Friday prayers.

The emergence of ethnic and religious divisions was further underlined earlier in the year, with the mysterious murders of a number of Christian priests. First, Mr Haik Hovsepian Mehr, the head of the small evangelical Assemblies of God, was killed in January, followed in June by his successor, Mr Tateos Michaelian, and then by a younger priest and convert to Christianity, Mr Mehdi Dibaj, in July.

The government has denied involvement and has sought to pin the blame for all these acts of violence on the country's largest and most organised opposition group, the Iraqi-based Mojahedin-e Khalq.

The violence caused by the public challenge to the government's authority reflects the confusion and lack of coherence in the government's implementation of policy. Mr Rafsanjani, who was elected president for a second four-year term just over a year ago, has been widely credited with shaping a more pragmatic face for the Islamic Republic. A shrewd political operator, Mr Rafsanjani understood that Iran's interests were not best served by confrontation with its pro-Western Arab neighbours or the rest of the world.

Rafsanjani: under threat

After Ayatollah Khomeini's death in 1989, he set out to revise some of the central policies of the earlier revolutionary era. One of the mistakes he declared, was for Iran to have made so many enemies, leaving it friendless and isolated in the eight-year war which followed the Iraqi invasion.

Yet, five years after Khomeini's death, Iran's foreign policy, while not in tatters, can hardly be judged a success.

Four Iranian diplomats are being sought for questioning by Argentina over the Buenos Aires bomb, which killed nearly 100 people last month.

Mr Warren Christopher, the US secretary of state, has again described Iran as an "international outlaw" and has renewed pressure on Iran's main trading partners, Germany and Japan, to scale down commercial ties with Tehran.

Success has been no more forthcoming domestically, where Mr Rafsanjani sought to place the need to rebuild the economy at the top of the political agenda, in stark contrast to Ayatollah Khomeini.

But for all the attention given to the economy, it is arguably at its nadir, with high inflation, a mounting debt burden and a shortage of foreign currency earnings caused by the weakness of oil prices. Rising inflation has also placed a heavy burden on many increasingly resentful Iranians.

With so many of the foreign and economic policy goals set in the early Rafsanjani years either waylaid or unsuccessfully targeted, the government appears to lacks direction and has been impotent in its efforts to weld together the multiplicity of power centres of which it is comprised.

The public perception of Mr Rafsanjani, who has adopted a much lower profile, is that he has lost control at home and abroad, so the challenge to his authority is likely to continue and may even intensify.

# Paris plays down terrorist risk

By John Ridding in Paris

France yesterday extended its curbs on Islamic militants but played down the threat of domestic terrorist attacks in reprisal for security measures which include the internment of more than 20 suspected Algerian radicals.

Mr Charles Pasqua, interior minister, said the risk of terrorist attacks was greater outside France. "We do not believe there is a direct terrorist threat in France linked to the events in Algeria, but it is clear that we have to take precautions", he told Le Figaro newspaper.

Mr Pasqua's comments coincided with a warning from the Armed Islamic Group (GIA), a radical Algerian Moslem group which claimed responsibility for killing five French nationals in Algiers earlier this month, that France would face "violent attacks on its interests in Algeria" if it failed to meet various conditions.

The conditions included evacuating all French citizens from Algeria and ending support for the military-led government. The GIA also ordered France to protect Moslem rights in its national territory.

In France, more than 3,000 people were stopped on Thursday night, taking the six-day tally to about 16,000. Eleven individuals were being questioned as part of the latest checks, according to officials. Twenty-two suspected Moslem militants are being interned at an army barracks.

Mr Alain Juppé, France's foreign minister, endorsed Mr Pasqua's handling of the police action but sought to distance himself from the interior minister's hardline analysis of the Algerian situation.

Mr Juppé denied France gave unconditional support to the Algiers regime and said he had urged the government to hold elections as soon as possible. The Algerian government cancelled an election in 1992 which the now outlawed Islamic Salvation Front was set to win.

Mr Pasqua has argued that the only choice in Algeria is to support the existing government or see the country fall into the hands of extremists.

NEWS: UK

# Director bought power shares ahead of review

By Norma Cohen and Michael Smith

Mr Denis Cassidy, a non-executive director of Seeboard, the electricity distribution company, bought 5,000 shares in the company at 382p each just three days before release of an electricity industry price review.

Seeboard's shares closed yesterday at 414p, up 18p on the day. On Thursday the price of shares in Seeboard and the 11 other regional electricity companies in England and Wales soared following a report by Professor Stephen Littlechild, the electricity regulator, showing price controls less onerous than had recently been thought likely.

The Stock Exchange is understood to have been investigating dealing in the shares of the companies before the release of the report and is said to have shown particular interest in share purchases by directors.

Some directors may have had advance reports of Prof Littlechild's recommendations because they participated in the pricing review, although non-executives such as Mr Cassidy are much less likely to have been involved.

Separately, the Stock Exchange is understood to be examining trading in shares of the companies by brokers, some of whom are believed to have obtained advance copies of the report.

Seeboard said that Mr Cassidy, who is also chairman of Boddington, the drinks group, had sought the approval of Seeboard's board to purchase the shares, in line with board policy. He joined the board as a non-executive director in May and owns no other Seeboard shares.

There is no evidence that Mr Cassidy had any advance knowledge of the contents of the Littlechild report.

Explaining the purchase, Seeboard said that having joined recently as a non-executive director "he was showing a long-term commitment to the company".

It was not immediately clear why the board sanctioned a purchase of company shares just days before the release of a price-sensitive document likely to affect the company's future profits. The company declined to make any other comment on the matter.

The Stock Exchange has an unofficial policy of closely monitoring trading in a company's shares in the days leading up to the release of price-sensitive information.

The review is regarded as highly favourable for all the electricity companies. Analysts are divided on how Seeboard fared, with some saying that it did relatively badly and others taking the contrary view.

Among the investment community the company enjoys one of the best ratings of all the 12 regional companies.

# Motor licensing agency to close local offices

By John Authers

All of the Driving and Vehicle Licensing Agency's 51 local offices are to close by 1997, with the loss of 1,500 jobs, it was announced yesterday.

The agency, which said earlier this week that it was cutting 700 jobs at its Swansea headquarters, said that a pilot computer scheme would eliminate any need for over-the-counter services to the motor trade.

It said that about 1,000 jobs involved with collecting car tax could go following the decision to collect the tax continuously, while the work of dealing with specialist registrations such as trade number plates – involving about 500 employees – could be handled at Swansea or dealt with by agents.

The annual cost of the district office network was put at £40m.

The agency said that all customers would be given notice of the changes and that alternative sources of service would be in place before offices were closed.

Unions and the Labour party reacted angrily. Mr Barry Reamsbottom, general secretary of the Civil and Public Services Association, described the decision as an "act of butchery" by the government and pointed out that the agency's staff were last year awarded a Charter Mark for excellence in service delivery.

He said: "The government is making two major assumptions. It is assuming that untried, untested new technology will work, and secondly, that legislation to introduce continuous licensing will pass without opposition.

"Over £130m remained uncollected last year because of vehicle excise duty evasion. The news of the closure of VRO offices will be music to the ears of the tens of thousands of car-tax dodgers."

Mr John Sheldon, general secretary of the National Union Civil and Public Servants, said the cuts had nothing to do with making the agency more efficient or effective.

He said: "The office closures and planned redundancies are a cynical part of the government's preparations for the privatisation of DVLA."

Mr Tony Lloyd, Labour employment spokesman, said the move was "a devastating blow" to the agency and to employment.

Motoring organisations predicted, however, that the changes need not cause serious problems. The Automobile Association said that most motorists already communicated with Swansea rather than with their local office.

Bobby Hall accompanied by his gun dog Bosun yesterday on a moor near Kirkwall, Orkney for the opening of the grouse shooting season – the Glorious 12th

Reuter

# Accountant's employee monitoring 'failed'

By Andrew Jack

A leading accountant failed to make sufficient inquiries into the private activities of an employee later convicted of forgery and deception, his professional body has concluded.

Details of proceedings by the disciplinary committee of the Institute of Chartered Accountants in England and Wales against Mr Brian Worth were revealed yesterday. The committee found that Mr Worth, former chairman of Clark Kenneth Leventhal (CKL), an international network of accountancy firms including Clark Whitehill in the UK, knew that Mr Nicholas Young was conducting private business from the firm's offices but received only imprecise responses to inquiries about this business.

Mr Young, a former executive director of CKL, was convicted at the Old Bailey three years ago and has since been released from jail. While claiming to invest money in offshore trusts offering high rates of return he was actually spending it on a system of horserace betting and to sustain his lifestyle.

The proceedings of an appeal by Mr Worth against disciplinary action show that Mr Young paid CKL several thousand pounds each year – a significant proportion of CKL's total income – in connection with his private activities, which the committee says he described to Mr Worth as "certain clerical services to unidentified overseas clients".

After the original hearing in November Mr Worth, former head of the institute's investigation committee, was "admonished" and ordered to pay £1,000 in costs. The appeal hearing upheld this ruling and Mr Worth was ordered to pay a further £1,000 in costs.

The committee said he had failed to make adequate inquiries into Mr Young's work and that he had responsibilities as chairman of CKL and as a chartered accountant to supervise and monitor all Mr Young's activities.

It concluded that he was not entitled to rely without further inquiry on the "inadequate" explanations given to him by Mr Young on the source and nature of payments. It said his failure to make further inquiries "would have caused concern and surprise to most right-thinking members of the public".

The committee stressed that Mr Worth was of good character, had always acted honourably and had been genuinely misled by Mr Young. There was little chance further inquiries could reasonably have led to the detection of the fraud.

# Trawler attacks 'stopped by navy'

The arrival of the Royal Navy in the tuna-fishing grounds of the Bay of Biscay has stopped harassment of UK trawlermen by their Spanish rivals, the head of the fisheries protection squadron said yesterday.

Speaking at a news conference, Captain Christopher Morrison said there had been no attacks on British fishing vessels since shortly after the first naval protection vessel, the Anglesey, arrived in the area eight days ago.

Capt Morrison also defended his squadron's role, which has been criticised by fishermen's representatives, in checking that European Union fishing rules are being carried out.

Two fishing vessels have returned to Cornish ports in the past week after claims that their nets were too long.

Capt Morrison said when the Anglesey arrived at dawn on August 4, a British vessel radioed to say it was being harassed. "As she arrived on the scene, the Spanish fishing vessels left . . . and since that moment no harassment has taken place on British fishing vessels." Capt Morrison said.

"Any idea that the navy has sat by watching while Spaniards cut British fishing nets is simply not true."

The Anglesey has since been joined by a second fisheries protection vessel, the Alderney.

His comments came after the agriculture minister, Mr William Waldegrave, told Cornish fishermen the navy would prevent Spanish ships driving British trawlers off the fishing grounds in the Bay of Biscay.

The Newlyn-based trawler Silver Harvest successfully pulled in its net this morning in the middle of more than 100 Spanish boats with HMS Alderney "riding shotgun", said Capt Morrison.

Spanish fisheries ministry officials were unable to confirm reports that two Spanish fishing vessels were sent back to port two days ago for using driftnets longer than 2.5km.

# Poll opens for Labour NEC seats

By Roland Rudd

A new generation of Labour politicians from the left and right is fighting for places on the National Executive Committee in elections which start today under a one member, one vote national postal ballot.

For the first time in more than three decades, Mr Tony Benn, the veteran leftwinger, is not standing. Although Mr Benn was removed at the last party conference after more than 30 years' service, he recently found himself back on the NEC because of three vacancies.

These have been created by John Smith's death, the move to the European Commission by Mr Neil Kinnock, the former Labour leader, and Mr John Prescott's elevation to the deputy leadership.

Among the 21 candidates for the seven seats in the NEC's constituency section, Mr Peter Hain, one of Labour's main critics of the party's economic policy, is seen as the principal challenger from the left. Mr Dennis Skinner, a member of the hard-left campaign group, is not expected to win back the seat he lost last year.

In an attempt to create a wider left alliance Mr Hain recently criticised the modernising tendency in the party without naming the new Labour leader, Mr Tony Blair.

Mr Hain said Labour was in danger of becoming "an empty shell of a party with its activist base destroyed", and claimed that the power of activists has been usurped in the party "which has become centralised to an unprecedented extent".

These are the first NEC elections to be conducted among the party's 260,000-strong national membership on a one member, one vote basis.

It is expected that Mr Robin Cook, shadow trade and industry secretary; Mr David Blunkett, shadow health secretary; and Ms Harriet Harman, shadow chief secretary, will retain their seats. Mr Gordon Brown, the shadow chancellor, also looks safe.

The front-runners for the three vacancies from the right are Mr Jack Straw, shadow environment secretary; Ms Mo Mowlam, shadow heritage secretary; and Mr Chris Smith, environment spokesman.

Two of the seven elected members have to be women. Ms Mowlam is being challenged by Ms Dawn Primarolo, the leftwinger who speaks on health.

# Chance for the marchers to break step

**Tim Coone** on the latest moves to end Northern Ireland's sectarian violence

Barely a week goes by in Northern Ireland without a date to be commemorated.

Ancient battles, the deaths of martyrs and atrocities from the political violence of the more recent past are remembered with flags, speeches and vows to stand firm against violence from the opposite side of the sectarian divide.

This weekend is no exception. Three hundred and six years ago a group of Protestant apprentices closed the gates of Derry, then the biggest city in Ulster, in the face of approaching troops loyal to the deposed Roman Catholic King James II. The siege was lifted in August 1689, and the Protestant Apprentice Boys mark that anniversary with an annual march through the centre of what is now a largely Catholic city.

When Catholic civil-rights protesters were being clubbed from the streets in Derry 25 years ago by a sectarian police force, the annual Apprentice Boys march sparked two days of riots which brought British troops to the streets of Northern Ireland.

At first welcomed by Catholics, the troops quickly came to be seen as an army of occupation bolstering Protestant political domination of the province. Ms Bernadette Devlin, later an MP, predicted from a Derry barricade at the time: "We don't fight the army today, but the day will come."

The Apprentice Boys will be marching in Derry again this weekend and republicans will hold their own demonstrations to repeat their calls for the removal of British troops from the province – and to mark another infamous date in the nationalist calendar, the introduction of internment in August 1971.

So has anything changed which makes this anniversary different? Cynics will say no. But the Republicans' worst-kept secret – the announcement this autumn of a prolonged IRA ceasefire in the wake of the Downing Street declaration – offers the first glimmer of hope in two decades that a resolution of the conflict might be in sight.

For several months senior republican figures have been hinting that a prolonged IRA ceasefire is in the offing – the first since 1975. Senior officials in the Irish government, which has kept open channels of communication with Sinn Féin, the political wing of the IRA, are convinced that "something will happen" in the next month.

Sir Hugh Annesley, the chief constable of the Royal Ulster Constabulary, told the BBC this week that a prolonged IRA ceasefire could quickly lead to a sharp reduction in the troop presence on the streets.

Both the Irish and British governments have been emphatic that a "permanent" rather than a "prolonged" IRA ceasefire will be necessary before Sinn Féin can be brought into political negotiations. The IRA refuses to engage in what it sees as a one-sided unilateral disarming of its units, but that does not rule out a phased response to military de-escalation measures as hinted at by the RUC chief.

Senior Irish politicians believe that it is around such gestures, reciprocated in turn by either side, and eventually embracing the Loyalist paramilitaries, that a prolonged ceasefire might be built into a permanent one.

This weekend the drums, pipes, flags and speeches will be redolent with the symbolism of the past. But perhaps the moves about to come will prove to have greater significance.

Reuter

Long-range: troops took control of the streets of Belfast in August 1969 after fighting between Roman Catholics and Protestants

# Tories attack motorway toll plans

By John Authers

Government plans to introduce tolls for motorway users were thrown into confusion yesterday by a fiercely critical report from a Tory-dominated committee of MPs.

The Commons transport committee says in its report that the government's arguments for motorway tolls in a green paper published last May were "unconvincing". It suggests that an increase in fuel duty would be cheaper and easier to collect.

The committee says: "The government will have to provide a great deal more information before parliament and the public can be persuaded that the green paper's proposals for electronic tolling are either desirable or workable."

Fuel duty "does not suffer from the defect of tolls, namely that motorists will be inclined to avoid payment by diverting on to other roads".

This could lead to the "totally unacceptable" prospect of between 20 per cent and 30 per cent of vehicles diverting from motorways on to "unsuitable local roads" at peak times, leading to "additional accidents and casualties, as well as environmental damage", the MPs warn in their report.

The MPs also attack the government's refusal to earmark the proceeds of an increase in fuel duty for motorway spending, saying this would breach the Treasury's rule against such use of tax revenues. They say this policy is "purely an accounting convention" and has no statutory basis.

A further "fundamental weakness of the green paper", the MPs say, was its lack of a guarantee that proceeds from tolls would be "genuinely additional money for spending on roads", and would not simply be recouped by the Treasury.

Dr Brian Mawhinney, the transport secretary, described the report as "an important addition to the public debate on this issue". He said toll revenue would be used only to improve the tolled network, and added: "Without improvements, the diversion of traffic which worries the committee will happen spontaneously." He said the government's two-year research programme into technology for the network would continue.

Labour dismissed tolls as "another Tory tax", while road-user groups also gave strong support to the committee. The Royal Automobile Club said the government must "go back to the drawing board", while the Automobile Association said tolls were "another unacceptable general tax on motoring".

The British Road Federation predicted that it was "unlikely any revenue from tolling will be available to accelerate the motorway improvement programme before 2000 at the very earliest", and said the government should "urgently" investigate other sources of funding.

However, the Freight Transport Association, representing industrial road users, said the committee had "got in a muddle" over whether motorway charging was meant simply to raise money or to provide a "value-for-money motorway system". It said increased fuel tax was a "blunt instrument" which would have an adverse effect on rural areas.

*Charging for the Use of Motorways, House of Commons Paper HC 376-I, HMSO, £11.*

# Portillo condemned over application of European directive

By Ivor Owen and Lisa Wood

Mr Michael Portillo, the employment secretary, was yesterday accused of putting the jobs of thousands of disabled workers at risk to boost his credentials on the Conservative right wing.

And European Commission officials denied his department's claim that a European Union directive made it necessary to withdraw government contracts which provide work for workshops staffed by the disabled.

The commission said it had "never asked the UK to take this action and is surprised that it has done so in such an abrupt fashion rather than trying to get around it at community level".

It said that in the unlikely event of a legal challenge to the British scheme the commission would have sought a compromise to allow it to continue in some form.

Mr Tony Lloyd, Labour employment spokesman, accused Mr Portillo of acting on purely ideological grounds to strengthen his support among "extreme rightwing Conservative MPs".

In a letter to the minister Mr Lloyd says he has been assured that the European Commission had made it clear that new rules on public procurement did not require the withdrawal of such contracts.

He adds that the directive "was certainly not designed to destroy jobs for people with disabilities".

Mr Lloyd calls for a "very clear statement" on the reasons for a ministerial decision which could only add to the difficulties of a disadvantaged group of workers.

He urges Mr Portillo to discuss with the European Commission how the priority supplies scheme which enabled sheltered workshops to provide jobs for disabled people could be reactivated. If this could not be done Mr Portillo should announce the steps he proposed to protect the jobs threatened by his action.

Mr Phillip Oppenheim, the employment minister, said his department was seeking confirmation that the commission did not regard the directive as applying to government contracts with supported workshops and factories. "This conflicts with firm legal advice previously received from the government's own advisers," he said.



# Forecasters more upbeat over growth outlook

By Peter Norman, Economics Editor

Upbeat news about the economy and improving business sentiment have resulted in a widespread upgrading of economic growth forecasts in Britain this year and next, Consensus Economics said yesterday in its poll of forecasters.

The company said its monthly survey of 35 economic forecasters found an average expectation that gross domestic product would grow 3 per cent this year and 2.9 per cent in 1995. This compares with expected growth of 2.8 per cent for this year and 2.7 per cent in 1995 in July, and predicted average growth rates of 2.7 per cent in both 1994 and 1995 three months ago.

In general, economists are more bullish than the Treasury, which at the end of June forecast growth of 2¾ per cent this year and next.

Consensus Economics says that, on average, forecasters raised their expectations of consumers' expenditure, gross investment, company trading profits and manufacturing production in both years over the past month. However, the consensus points to an average rise of 2.6 per cent in retail prices this year – unchanged from July – and a slight rise to 3.7 per cent from 3.6 per cent in expected average retail price inflation in 1995.

The survey found that economists were slightly more optimistic about the outlook for the UK current account and about the public sector borrowing requirement. The consensus now points to a PSBR of £34.4bn in the fiscal year to the end of March 1995 compared with the government's £36bn forecast, and £26.2bn for 1995-96 against the Treasury's £28bn.

Consensus Economics also reports a significant upgrading of German growth forecasts this year and next. Its panel produced average forecasts of 2 per cent GDP growth for this year against 1.8 per cent previously.

*Consensus Economics, 49 Berkeley Square, London W1X 5DB. £370 or $565 for 12 issues.*

# Draft guidelines on care of elderly anger opposition

Ministers were yesterday accused of trying to shift the burden of looking after frail elderly people to families and local authorities.

Draft guidelines issued for consultation would make it easier for hospitals to move elderly people out of long-stay beds and into nursing homes, where their families might be forced to pick up the bill.

Labour said the government was watering down guidelines on elderly patients' rights to free long-term care. The charity Age Concern said the right to free care would depend on where the patient lived.

But Mr John Bowis, junior health minister, said the draft guidance clarified the NHS's responsibility to the chronically ill.

The circular follows a watershed case in which a stroke victim who was unable to eat, move or talk was discharged to a nursing home against his family's wishes.

Present guidelines say patients should not be transferred from hospital to a nursing home against their will, but a growing number of hospitals has flouted the guidelines, closing "continuing care" beds for the chronically ill.

The situation has been made worse by growing pressure to treat more patients.

The proposed guidelines say the NHS should foot the bill for patients with complex or multiple handicaps who need continuing and specialist medical care.

Others, whose condition could not be improved medically but who needed intensive long-term support, would be assessed by social services and health professionals.

A decision on their future care would take into account the wishes of the patient and his or her family, and local eligibility criteria.

The document says every effort should be made to meet patients' preferences within the practical options and resources available.

Where patients assessed as not needing free long-term NHS care refused other options the health authority and the hospital "will need to take account of the needs of other patients in determining how long the person can continue to occupy an NHS bed".

Health authorities would have to review arrangements for paying for long-term care in the light of local needs, ensure that they were making appropriate provision, and agree and publicise local policies on eligibility with local authorities and health units.

Mr Bowis said nobody had the right to occupy indefinitely a hospital bed not required on a clinical basis, but patients were entitled to a clear decision on whether they were entitled to continuing NHS care.

Mr David Blunkett, the shadow health secretary, said Mr Bowis had failed to offer any clarification of where he believed NHS responsibilities for long-term health-care began and ended.

He said: "More and more families are going to end up picking up the tab."

# NHS reforms 'damaging cancer research'

By Daniel Green

National Health Service reforms are damaging cancer research by rewarding hospitals for success in treatment rather than research and by forcing doctors to do administrative work, a survey warned yesterday.

Half of doctors conducting trials report difficulties in continuing their research, said the UK Co-ordinating Committee on Cancer Research, which represents large groups funding cancer research.

**The government yesterday published for consultation the names of drugs it proposes to put on its "limited list" of products available on the NHS, Daniel Green writes.**

**The move is designed to produce cuts by extending the list of disease areas in which only a few products can be prescribed by NHS doctors. Drug companies have argued that limited lists stifle research into new treatments.**

**The list of 26 products in 10 areas includes Arret capsules for diarrhoea, Dermacort skin cream and Andax Ear Drops.**

The advent of NHS trust hospitals has cut the time and cash spent on clinical trials of new treatments, it said.

Professor John Smyth of Edinburgh's Western General Hospital, and one of the report's authors, said drug companies contributed to the cost of trials but only those on new drugs where a high price could eventually be charged. NHS researchers also looked at other drugs that could provide cheaper treatments. It was this research that was suffering, he said.

Prof Smyth said: "We're not against trusts, but the concept of research is diametrically opposed to market-driven approach."

The government rejected the findings. Mr John Bowis, a junior health minister, said NHS changes did not "signal any lessening" of a commitment to clinical research. He said: "We have set a target of increasing research and development expenditure to 1.5 per cent of total NHS spending."

He added that a report on NHS research and development policy, commissioned by the government from Professor Anthony Culyer of York University, would be published next month. Prof Culyer would take into account the findings published yesterday in which most respondents blamed their difficulties on the increasing burden of administrative work, lack of time and staff shortages.

Dr Jonathan Waxman, cancer consultant at the Hammersmith Hospital in London, described how a team of specialists last month had to abandon its normal work to teach a health authority representative the basics of cancer treatment.

He said the government had tried to address the problem with grants to teaching hospitals designed to compensate them for their high overheads and time spent on research rather than revenue-earning treatment.

But the government's own advisers had seen that this did not help other hospitals where many clinical trials were conducted, said Prof Smyth.

The report, published in this week's British Medical Journal, outlines proposals to limit the damage it says is being done to cancer research. They include making clinical trials a government priority, allocating funds to support the cost of trials and for work to be co-ordinated centrally by the NHS.

# US agrees to Harrier successor project

By George Graham in Washington

UK and US defence officials have signed an agreement to work together on a new generation of jump jet that could replace not only the Harrier but also other conventional naval attack aircraft.

The agreement covers development and model testing of four possible designs of short take-off and vertical landing aircraft by consortia involving British Aerospace, McDonnell Douglas, Lockheed, Boeing and Northrop, as well as aero-engine builders Rolls-Royce, General Electric and Pratt & Whitney.

The programme aims to demonstrate that it is possible to develop an affordable, modular aircraft design which different services could adapt for different missions without too many compromises.

The programme would produce a variant, with powered lift, that could eventually replace the Royal Navy's FRS2 Sea Harrier and the US AV-8B, also a Harrier.

British officials said the technology developed could also be relevant to a replacement for the Tornado bomber.

The UK will pay \$12m (£7.8m), one-third of the cost of this phase of development.

# Timetable for route out of an impasse

## Robert Taylor on the pressure signal workers are under to accept a pay settlement soon

The 10-week rail signalling workers dispute is rapidly approaching a showdown, with the threat of the loss of future pension rights looming ever closer for the strikers.

Mr David Armstrong, industrial relations director of Railtrack, warned that if the company and the RMT transport union did not reach a restructuring agreement by September 30 the signal workers would lose out in the carve-up of the British Rail pension fund on October 1.

Under railway privatisation the BR pension fund is to be split between the successor companies. Actuaries appointed by the trustees will calculate the amount each company will get based on the level of basic pay rates on September 30.

Mr Armstrong insisted that Railtrack was prepared to improve the basic rates of signalling staff by up to 26 per cent through restructuring. If this was done before the division of the pension fund it would substantially improve their pension entitlements.

He said that failure to reach a deal was likely to mean that £30m to £50m of the BR pension fund would be lost to the signalling workers, to the benefit of other rail workers. The cost to each signal worker would be between £1,000 and £1,700 a year on pensions.

Mr Armstrong said: "We have 33 working days left before this happens." Any package agreed after September 30 could not be backdated to ensure enhanced pensions.

The pension issue seems likely to grow in importance in the next few weeks. The signalling workers, who have already lost more than £500 through the strikes, stand to lose substantially more.

Whether this concern will modify what Mr Armstrong sees as the RMT's intransigent position is unclear. He has serious doubts about whether the union is in any mood to negotiate a flexible new deal for the signalling staff.

He pointed to what he saw as the union's almost continuous opposition over recent years to restructuring proposals for other groups of railway workers.

"They have walked away from other restructuring deals," he said. "If we agreed to the kind of up-front payment for the signal workers that the RMT wants they could do the same again. They want to lock a pay deal into the present archaic wages structure with its knock-on effects on overtime and shift pay. This is why I am cautious about taking the first step."

Pinned on the wall outside his office door is Railtrack's mission statement, signed by Mr Bob Horton, the chairman. Mr Armstrong is anxious to stress that it offers its workers "a fulfilling and challenging career in which we all share equal opportunities".

Railtrack is not going to precipitate a showdown by sacking all the signalling workers if they strike again and replacing them with a substitute labour force. "We don't want 4,500 unemployed signalmen. We want them all back at work."

He pointed out that Mr Ronald Reagan, the former US president, was able to fire striking US civil air-traffic controllers in 1981 because he could call on trained military air-traffic controllers to take over their jobs. It would take from eight to 13 weeks to train new signalling workers, and most of the railway network would be shut during that time.

Mr Armstrong is also concerned that such action would leave a legacy of bitterness and division. It is unlikely that such draconian action could be taken without provoking severe unrest among other railway workers.

Mr Armstrong admits, however, that there is no shortage of recruits willing to become signal workers. He said: "We had two vacancies in the north-east recently and we had over 2,000 applications for the two jobs – so much for the low pay and poor conditions of signal workers."

On the day Mr Armstrong started his job he found the signal workers dispute smouldering in his in-tray. It has been a harsh apprenticeship for a man who came from Trainload Freight, BR's heavy haulage company – his background was in shipbuilding industrial relations.

Now he faces the unenviable task of trying to end the rail dispute with the least pain and without imperilling the privatisation of the industry.

Brendan Corr

David Armstrong: prepared to improve basic rates by up to 26 per cent through restructuring

# Go-ahead for £85m shopping complex

Gracemount Developments, a property company owned by Mr Paul Jillard, Mr Keith Johnson and Grand Metropolitan Estates, is to develop a new 300,000 sq ft shopping centre worth about £85m at Solihull, West Midlands, Paul Cheeseright writes.

The borough council, as owner of six of the seven acres needed for the scheme, yesterday said it had signed contracts for the development with Gracemount. The council will give Gracemount a long-term lease and receive a royalty in return.

But the development will not start until the 30 different interests in the land not owned by the council are bought out. If the council resorts to compulsory purchase there will be a public inquiry next year.

## Council by-election boost for Labour

Labour made four net gains in local authority by-elections last month as the party enjoyed a political "honeymoon" under its new leader, Mr Tony Blair, according to a survey by the Local Government Chronicle.

Labour candidates unseated Conservatives in Bradford, Portsmouth, and Castle Point, in Essex. The Liberal Democrats made a net gain of three and the Tories lost five.

Since the 1992 general election, Labour has won 66 seats but lost 68, while the Liberal Democrats have gained 162 seats with only 43 losses.

## Brittany Ferries joins livestock ban

Another leading ferry operator is to cease carrying live animals for slaughter because of fears over the suffering caused.

Brittany Ferries said it would stop exports of farm animals, except those for fattening or breeding, on its six routes to France and Spain from August 22.

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# Bolting for the exit

Since the US Federal Reserve started to raise short-term interest rates in February, global markets have acquired a sporadic habit of lurching down in tandem. Yet this week's synchronised market upset was precipitated not by the Fed or the Bundesbank, but by interest rate rises in Sweden and Italy. The merits of the Swedes and Italians are many and various; but since when have markets taken their cue from the Riksbank and the Bank of Italy?

True, this was a European rather than a global nudge downwards. On Thursday when the rot set in, Japan defied the trend in equities and bonds, while the US fell in response to poor domestic retail sales figures. To give Wall Street its due, it has internationalised itself to an unprecedented degree over the past decade. But the Federal Open Market Committee meeting next week will rightly take precedence over events in Scandinavia or Italy.

Yet even at a European level the market slide raises several questions. The rate increases were said by the monetary authorities of Sweden and Italy to be designed, respectively, to address inflationary pressure and to defend the currency. But the markets' immediate reaction was to depress the krona and the lira, thereby undermining these twin objectives.

As for the rationalisations offered by analysts for the synchronised nature of the fall, they look unconvincing. Suggestions that the central banks' decisions heralded the end of monetary easing in Europe look speculative. The Bundesbank is Europe's de facto monetary authority, and it operates largely on the basis of German domestic considerations, not those in Sweden or Italy.

What is clear about recent bond and currency market behaviour is that investors are in a funk about the growth of fiscal deficits. So, too, are central bankers; and the unspoken objective of the interest rate increases last week was to fire a shot over the bows of the politicians. The real question is whether the bond market tremor is justified and whether the central banks' actions will work.

## Fiscal positions

Italy and Sweden are in very different fiscal positions. The OECD estimates that Italy's outstanding stock of gross public debt will top 120 per cent, as a percentage of GDP, by the end of next year. Only Belgium, within the OECD area, carries a heavier burden of outstanding public debt. Yet Italy has been taking steps to put its public finances in order. It is the only country in the Group of Seven, apart from Japan, that is running a primary budget surplus. This means a surplus of revenue over expenditure equivalent to 2 per cent of GDP this year, before deducting interest on the debt. This is the traditional recipe for debt stabilisation and a return to fiscal orthodoxy.

In Sweden, for decades the model of social democracy, the fiscal position is very different. Its debt stock falls short of Italy's. Yet both its general government deficit and its primary budget deficit are the highest in the OECD area. Its gross public debt, which was below the OECD average in 1991 at 53.4 per cent of GDP, is expected to top 100 per cent by next year, when it will fall short only of Italy, Belgium and Greece. In short, the rise in debt is vertiginous and the trend is adverse.

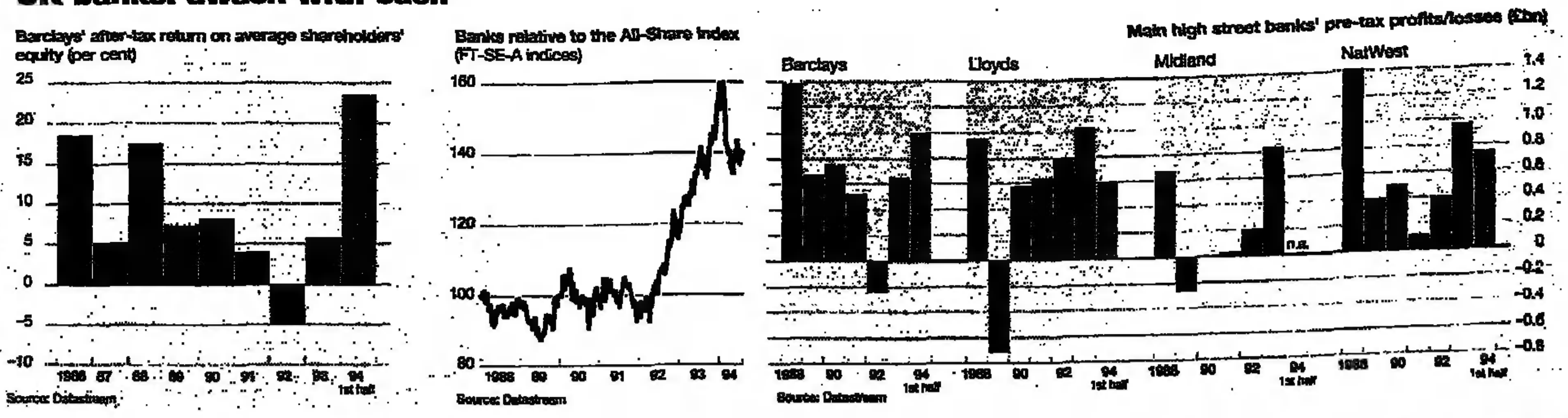
## Market psychology

Against that background the central bankers' moves are double edged. Higher short-term interest rates will raise the cost of servicing the debt and reduce revenues if growth is restrained. Market psychology, meantime, is doubly punitive. Capital flows respond politely to changes in interest rate differentials in rising markets. But when they are worried, as at present, about the growing risk of bond market default, they recognise that no increase in rates can compensate for the risks.

The danger is that the pessimism becomes contagious. If everyone rushes to be first out of the exit, the currency depreciates anyway and bond markets fall. Governments are then forced to monetise the debt by borrowing from the domestic banking system. The markets also know that, while Italy may be on the path of virtue, the temptation to stray is greater when the budget is in primary surplus, because the cost of servicing the debt alone is preventing politically attractive tax cuts. For a new coalition like that of Mr Berlusconi's, it is all too easy to blame past debts on corrupt Christian Democratics and to call for a new start with a clean slate.

The Italian government is clearly determined to avoid the international opprobrium that would follow. If Sweden's social democrats return in the September election, they may prove tougher than expected. But for the moment, the European bond and currency markets are driven by fiscal fear and the electoral timetable. With Britain's Tories looking for pre-electoral tax cuts and Germany's Social Democrats hoping to improve their chances yesterday by promising the biggest programme of tax cuts for ordinary people in the history of the Federal Republic, who is to say the markets are crazy?

## UK banks: awash with cash




# Tills are alive with sound of money

## Are UK banks making too much profit? **John Gapper** says shareholders and customers may compete for the bounty

For Mrs Margaret Bird, a Barclays' customer for 40 years, the news that Britain's biggest bank made £1.04bn pretax profits in the first half of this year was baffling. "I think it is an awful lot of money when they are laying off people. It seems a bit strange," said Mrs Bird as she used a cash machine outside Barclays' branch in Southwark, south London.

Mr Dick Barfield, whose company Standard Life owns £200m of Barclays' shares as an investment on behalf of its pension and life insurance policy holders, did not agree. "It is good to see the bank making decent profits after a period when it has not made much at all," he said. "Banks ought to make this sort of return to justify their existence."

It has been more than a decade since the UK's high street banks achieved the returns seen in the first half of this year. National Westminster Bank last week reported interim profits of £767m, and Lloyds made £605m. More important to the City of London, the banks achieved high returns on capital, and increased their dividend payments to shareholders substantially.

It is a remarkably rapid return to good fortune for banks whose profits – in proportion to their size – were negligible in the early 1990s. In 1992, NatWest made pre-tax profits of only £367m for the whole year, and Barclays made a £242m loss. The trauma forced Barclays into drastic steps: it cut its dividend, and appointed a new chief executive.

The swing in earnings is almost entirely due to falls in provisions against bad debts. Banks made huge provisions in the early 1990s to cover unwise lending during the height of the late 1980s boom. But the financial health of companies improved sharply in the first half of the year, allowing Barclays to cut provisions by two-thirds to £306m.

This revealed how much more profitable banks have made themselves in the past three years. They have pushed up margins on loans, increased charges and cut costs by reducing staff numbers. "As abnormal bad debts have become normal, banks have been unmasked as very profitable institutions," says Mr Chris Ellerton, banking expert at the investment bank S.G. Warburg.

Despite banks' protests this week that their profits were reasonable, this level of return is higher than that of banks in other countries, or of UK industry generally. Mr Joe Rooney, European equity strategist at the investment bank Lehman Brothers, says UK banks are an extreme example of a trend towards higher industry profitability.

"We are seeing a sizeable shift in the distribution of cash from wages and towards profits," says Mr Rooney. But although profits of other UK industrial companies reflect this trend, the average return on capital for companies in countries belonging to the Organisation for Economic Co-operation and Development is under half that reported by Barclays and Lloyds. Most European banks are now reporting much lower returns than UK ones.

British banks argue that protests about their profits are misplaced. First, they say that profits do not come solely from their UK branch networks. Banks such as Barclays and NatWest have built investment banking operations that trade in global markets and raise capital for large companies. They also run retail operations abroad. Barclays' high street branches in the UK made £659m – or 64 per cent – of its first-half profits.

Mr Colin Fisher, Lloyds' senior general manager for retail banking in the UK, argues that the high street bank "is not really making a great deal of money. Its return on investment is poor by any standard". Rather than being congratulated, Mr Fisher says he "comes under a lot of pressure from Brian [Pitman, the bank's chief executive]" to make more money.

Second, banks say that they need a high level of profits to make a good return for their shareholders, to retain enough capital to invest in their business, and to offer fresh loans. Although Barclays made £533m pretax profits in 1991, it was forced to remove £96m from its reserves to meet its tax bill, and to pay £338m in dividends.

Mr Martin Gray, chief executive of NatWest's UK branch network, says banks must make adequate profits because otherwise they would not attract capital from investors such as US pension funds. "Banks have to compete in a global market where there is a scarcity of capital. We must make a high return to cover the risk," he says.

Quite how high is a matter of debate. Banks themselves say they have a "cost of equity" – the return they must offer investors to obtain capital – of between 12 and 14 per cent a year. This is calculated by taking the 8.5 yield on 30-year Treasury bonds – a proxy for a "risk-free" investment – and adding 5 per cent to compensate for the extra risk of shares.

Banks should, therefore, make a minimum post-tax return of about this amount annually. Their return this year will be much higher: Barclays' return in the first half was more than 23 per cent. But bankers say this is not excessive because the industry is more cyclical than others. They have to make enough money in the good times to compensate for bad debt losses during recessions.

This was the reason why Mr Martin Taylor, Barclays' chief executive, was unabashed at its profits.

**'Making a return on equity averaging only 4 per cent does not just damage banks, it destroys them'**

He said Barclays had squandered its shareholders' funds over the past six years by making a return on equity averaging 4 per cent. "That sort of return does not just damage banks, it destroys them," he said, arguing that Barclays now needed to rebuild capital.

But there is a flaw in this logic. Banks would normally be in need of capital in an economic recovery because demand for loans would be high. In practice, this has not happened. Companies are still repaying debt from the late 1980s, and individuals are wary of taking on fresh debts. This means that banks have no clear outlet for capital.

The result is that banks are starting to build up excess capital – more cash than they need to back loans. Barclays is likely to add about £800m to its capital this year, and unless loan demand increases sharply, it will find itself with a large pile of cash. The question for its 7m UK personal and small business customers in the UK is whether it will be used to improve service and lower prices.

There will be pressure on banks to do something. Investors are not keen on banks holding excess capital because they have a history of wasting such cash on loss-making acquisitions. Lloyds' shareholders have supported the bank's plan to spend £1.8bn of its cash on buying Cheltenham & Gloucester Building Society, but not all banks may find suitable takeover targets.

An alternative means of slimming excess capital is to give it back to shareholders. A lot of regional banks in the US – where bank profits rebounded earlier – have bought back their shares. "Shareholders tend to think excess capital is best dealt with by giving it back to the people who own the business," says Mr Ellerton of S.G. Warburg.

Yet customers could also benefit from banks' new-found wealth. There are already signs that rejuvenated banks are starting to compete with each other by lowering some of the prices that they raised in the early 1990s. Small business charges have been frozen, and initiatives such as Abbey National's cut in overdraft charges are proliferating.

Mr Fisher of Lloyds says that despite his bank not making adequate returns on current accounts, he has had to respond to margin-cutting moves by other banks. He cites Lloyds' decision in June to clear cheques in three days instead of four – thus losing interest on funds. "I did not want to do it, but I was forced into it by competitive pressure," he says.

Mr Gray of NatWest says that although banks "provide a hell of a lot for free", they cannot ignore price competition over more profitable products such as credit cards or mortgages. Similarly, Mr Bill Gordon, Barclays' managing director of UK banking, says that improved profits mean that "if there is a price war, we are in a better position to fight it".

Pricing is only one way in which consumers could benefit from banks' profits. Another is improvements in the level of service. Banks have been severely criticised for low service standards and inadequate technology since the recession. The more candid bankers admit that part of the problem stemmed from cost-cutting during the period of low returns.

"Quality of service can only be as high as you can afford," says Mr Fisher. "If you are trying to keep your bank going and your business customers alive, there is no doubt that you get distracted." Most banks have been investing large amounts in staff training and technology in the past two years, but some say they will now be able to speed up the investment.

In contrast to price cuts, investment in improved service may please shareholders. They would regard it as money well spent if it reinforced earnings by attracting new business, or protecting banks' large market shares. Yet there is limited evidence that banks have gained earnings benefits from the investments in technology and training made so far.

Mr Gordon says that technology, such as a computer system currently being installed in 400 Barclays branches to guide managers dealing with small companies, could help customers more than cuts in loan margins. "It will help our customers in spades. Some real insight into their finances is far more use to them than a quarter per cent off interest rates."

For this strategy to work, customers will have to recognise improvements in what their banks offer, and be less willing to be lured away by lower-priced products from others. Banks cite customer surveys showing gains in how they are perceived. But they appear some distance from regaining a level of customer loyalty that might protect them in a price war.

Mr Bird is one customer who has not yet noticed much of a difference at Barclays. "Service has really gone downhill," she says. She has not switched banks because it is "such a hassle" to do so. Yet her bank hardly has reason to feel secure in her loyalty if others start to use their growing piles of capital to woo her with cut-rate offers.

If that happens, banks' record profits will start to look vulnerable. Mr Gordon of Barclays says a decline in earnings would be a pity. "Far from banks being a bad thing, they are a very good thing. Where would we be without them?" he asks rhetorically. If banks are to sustain their profits at this year's level, he does not have much time to persuade the sceptics.

*WOMAN IN THE NEWS:* ***Taslima Nasreen***

# Safe from screams of intolerance

Taslima Nasreen, the controversial Bangladeshi writer, was yesterday about as far away as it is possible to get from the steamy streets of Dhaka where her life was under threat from Moslem fundamentalists.

Hidden somewhere in the cool Swedish forests, where she was whisked under police guard after fleeing to Stockholm on a tourist visa earlier this week, Ms Nasreen's hosts from PEN, the writer's association, said she was enjoying the natural tranquillity and security that now surrounds her.

The author herself said she may emerge from her secret hideout next week to answer questions about whether she intends to apply for asylum in Sweden, neighbouring Norway, or some other western country, or whether she eventually intends to go home. For the time being, in her only direct statement, she said: "Even though I find myself in a secure refuge, I need peace and quiet before I am sufficiently recovered to be able to fulfil my public obligations."

Her uncharacteristic reticence since leaving home is a measure of the pressure Ms Nasreen, who is 32, has been under since she was forced into hiding in June by death threats from fundamentalists enraged by her views, particularly on the role of women in Moslem society.

Ms Nasreen has been challenging Islam since she was 10 years old. She remembers her parents letting her two brothers go outside to play, while she was told to stay at home. When she argued, her parents said: "You are a girl. A girl has no right to go outside the house." It was, she recalls, her first experience of the discrimination between men and women which has since come to dominate her life.

She rebelled against that discrimination with a fury which eventually led thousands of fundamentalists to take to the streets of Dhaka. The storm she provoked has left many Bangladeshis uneasy about their country, which has long considered itself to be among the most tolerant of Moslem-dominated states.

For the rest of the world, Ms Nasreen's experience comes as an uncomfortable reminder of the Salman Rushdie affair. Now there are two writers whose pursuit of literary freedom has forced them to go into hiding. In each case, Islamic mullahs have questioned the primacy given in the west to freedom of speech and self-expression. They say such freedoms should not extend to the freedom to insult God.

This clash has certainly been in evidence in Sweden this week. Mr Mahmoud Aldebe, head of the Swedish Islamic Council, asked pointedly: "Why are only those who criticise Islam invited to Sweden, and not those who defend Islam?"

Swedish government officials, mindful that many of the country's 350,000-strong non-European immigrant community are Moslems, say they are sensitive to Islamic values. "But in the end the overriding issue is the desire to defend basic values of free speech and expression. That is why Taslima Nasreen was warmly welcomed here," said a foreign ministry official.

Ms Nasreen comes from a middle-class family in which she was encouraged to study. She followed her father in becoming a doctor. But she defied her parents' efforts to control her behaviour, for example, by talking to boys.

She married and divorced twice. Both husbands, she says, reneged on promises to respect her freedom. Both wanted their food cooked, their shirts washed, and their bodies massaged, she says.

She stopped practising medicine because, she says, she could no longer stand the screams of women giving birth to girls. It was a brutal reminder of the over-whelming importance placed in Bangladesh on

the value of boys over girls.

At the same time, Ms Nasreen became increasingly involved in her writing, producing magazine articles, pamphlets and books – all aimed at promoting equality for women. She attacked Islam but only because, as she once said, "Islam gives women no freedom."

Her critics say she exaggerates the condition of Bangladeshi women. They argue that the country has a woman prime minister and a woman leader of the opposition. There are women doctors, lawyers and pilots. Women are the main beneficiaries of the country's largest charity, the Bangladesh Rural Advancement Committee.

Indeed much of the SKr250m (£20m) grant aid Sweden gives to Bangladesh every year is directed specifically towards women.

But this has not blunted Ms Nasreen's criticisms. The real issue, she believes, is the abuse of women. Girl babies are left to die while no care is spared to bring up boys.

The statistics suggest that Ms Nasreen has a point. For example, according to United Nations data, the literacy rate in Bangladesh for men is 47 per cent and for women only 22 per cent. This gap is common in the developing world but it is particularly wide in Moslem countries.

Initially, Ms Nasreen's efforts to highlight this anomaly in her writing attracted little attention outside the literary circles of middle-class Dhaka.

But in the early 1990s, Jamaat-e-Islami, the leading fundamentalist political party, singled out Ms Nasreen for attack. It whipped up a storm when she published *Shame* – a fictional account of how Moslems tortured a Bangladeshi Hindu family after the sacking of the Ayodhya mosque in India in 1992. *Shame* was banned in Bangladesh on the grounds that it might foment Hindu-Moslem violence. But it became a best-seller in India, where it was translated into English.

Suddenly, Ms Nasreen had become too important for the fundamentalists to ignore. There were repeated death threats and the government supplied a police guard. Ms Nasreen continued to court controversy. In May she gave an interview to an Indian newspaper in which she was quoted as saying the Koran needed revising. She later claimed she was misquoted but it was too late. Mrs Khaleda Zia, the prime minister, authorised Ms Nasreen's prosecution on a charge of promoting religious unrest. Ms Nasreen went into hiding for a month, emerged in public to appear in court, and fled Bangladesh, apparently with the tacit co-operation of government officials.

Many middle-class Bangladeshis believe Ms Nasreen has stupidly given fundamentalists a rallying cry in a country where they command little power. But now there is a risk that to appease the fundamentalists, the government may be forced to enact tough anti-blasphemy laws, including a death penalty.

Such laws would run counter to the Bengali tradition of tolerance, which dates back to the 19th century when Calcutta became the capital of British India and a melting pot of people and ideas, including atheism and feminism. Bangladeshis believe that even though Calcutta was lost to India, this tradition still thrives in their country.

However, fundamentalists in Bangladesh draw much of their support from poor and ignorant villagers – people who have hardly been touched by Calcuttan tolerance.

**Stefan Wagstyl** and **Hugh Carnegy**

# Whiff of tiffs if Ziff sells in a jiff

## **Louise Kehoe** opens the covers of a US computer magazine publisher

The headlines in PC Week and PC Magazine, the flagship publications of Ziff Communications, are written for computerphiles: *PC Labs test 70 notebook PCs, ISVs ready usage-based licences, Trio dispensing cure for SNMP ills.* The covers feature machines rather than humans.

Yet these and Ziff's 13 other titles, all geared to specific segments of the computer market, are attracting attention from a new group of readers whose interests are in dollars and cents rather than bits and bytes: the world's largest publishing houses.

Ziff has been put up for sale by the three grandsons of William Ziff, its founder. Dirk, 30, Robert, 27, and Daniel Ziff, 22, are the heirs to about 90 per cent of the business which their father, William Ziff Jr, built into the pre-eminent US computer industry publisher.

"Publishing has been at the centre of our family's business interests for two generations," said Dirk Ziff last month. "But since our father's retirement last fall, Robert and I have realised that the company is not where we want to spend our careers. After consulting with our brother Daniel [a student at Columbia University] and our father, it was clear that we should focus where our skills and interests lie, in the investment field."

The proceeds of the sale will go into Ziff Brothers Investments, a budding firm founded by Dirk Ziff that holds stakes in real-estate investments and trades in equities and convertible securities.

The announcement came as a shock to industry observers and company employees, who had expected the Ziff brothers to retain ownership of the family publishing empire, even if they did not personally become involved in its management. There is "sadness, a sense of betrayal" among Ziff staff, said one senior magazine editor. Some have gone so far as to describe their feelings in a computer-style acronym – GLZ for "greedy little Ziffs".

However, the proposed sale has sparked excitement in the publishing industry. The bidding process, handled by the US merchant bank Lazard Frères, is reported to be attracting broad interest, particularly in Europe and Asia.

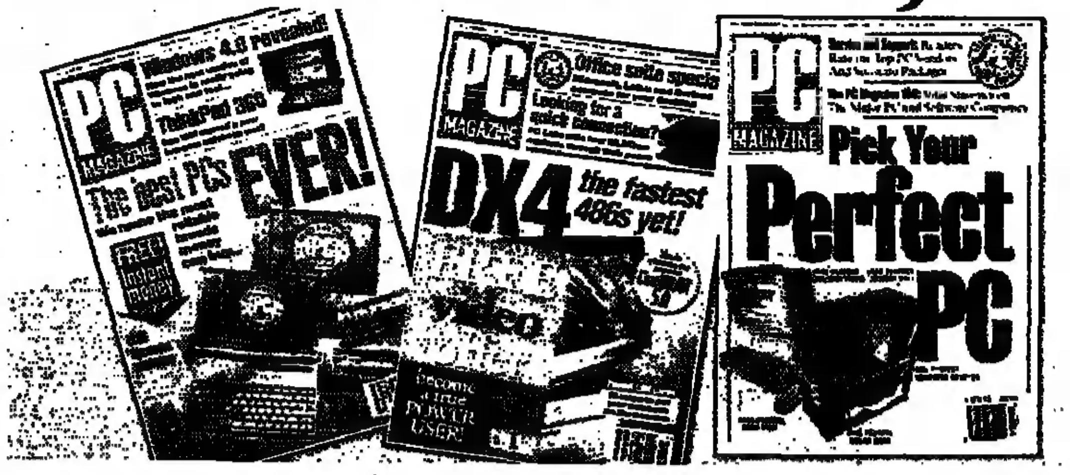
Reed Elsevier, the Anglo-Dutch information and publishing group which owns several other trade publication companies, including Boston-based Cahners Publishing, is seen as a likely bidder. This week Reed said it was considering making a bid to expand its presence in the US and was examining the Ziff group. It is expected to decide whether to make an offer next month.

K-III Communications Corp, the publisher funded and partly owned by financiers Kohlberg Kravis Roberts, as well as Hachette Filipacchi Magazines, the publishing arm of France's Matra Hachette, have also expressed interest. Two other potential bidders, International Data Group and CMP Publications, Ziff's direct competitors in the US computer trade press, have been ruled out by the Ziff brothers.

If sold as a whole, Ziff Communications could raise about $2bn, industry observers suggest. Some see the price going as high as $3bn. The company may sell at a premium because its magazine titles are the leaders in their field. "Ziff has set the pace in computer trade publications," said William Bluestein, a senior analyst with Forrester Research, a high-tech research firm.

Known in computer publishing as tough, hard-driving and ambitious, Ziff is far from a traditional publishing house. It is often described as a "yuppie company" that relies upon the energy and drive of hard-working, highly paid young editors and sales representatives. Its critics – and there are many – charge that Ziff is "bureaucratic" and "management-heavy". Few, however, can afford to ignore Ziff, a powerhouse in computer publishing.

Ziff's advertising revenues outpace its competitors. According to



Adscope, an advertising tracking service, Ziff publications took 34 per cent of US computer business advertising last year and in the first half of this year advertising sales in the group's seven US business titles reached $341.8m, up 8 per cent from the same period a year ago.

Ziff sold 50,000 pages of advertising worldwide last year, with 7,000 pages in PC Magazine alone, which has a paid circulation of more than 1m, according to the company. Ziff also publishes six computer magazines in Europe. Other ventures include a PC market research group, conferences and trade shows. The Information Access unit publishes industry information on CD-ROMs, while Ziff-Net, an online information service, offers PC users articles from the company's magazines as well as discussion forums and libraries of computer industry information.

Bidders for this cornucopia of businesses will have to move quickly, however. Ziff's 4,300 employees have been told to expect a buyer to be named by November 11, in time for the Comdex computer show in Las Vegas, one of the most important events of the year in the world of PCs.

This apparent haste worries some observers. "They seem to be in a great hurry to sell," said a Ziff magazine editor, who wonders if the Ziff brothers may have decided that the financial performance of the group has peaked.

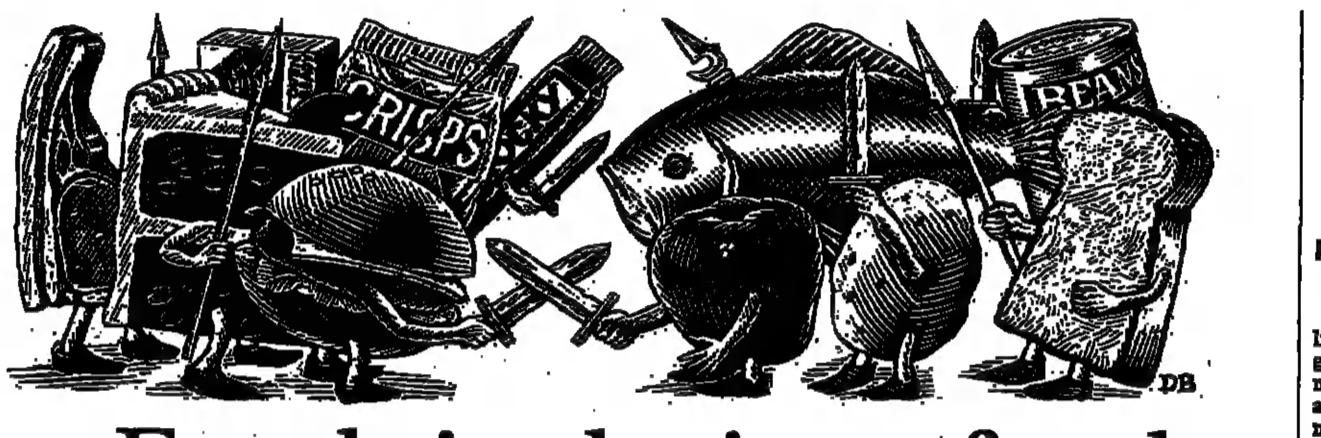
With the growth of the "home computer" market, PC makers are increasingly favouring general interest magazines and newspapers for their advertising. At the same time, competing trade publishers are targeting Ziff's market with publications that are narrowly focused on lucrative segments, such as purchasers of computer networking equipment and software. The company retorts: "Ziff is having a record year and the outlook for our business has never been brighter."

Yet Ziff has recently embarked upon some expensive and risky ventures. Interchange, a new online news service offering news from the Washington Post and several other newspapers and news agencies, faces fierce competition from established services such as America Online and Compuserve, as well as other entrants, such as Apple Computer's eWorld and a similar service that Microsoft, the computer software leader, is expected to launch this year.

Ziff's entry into the consumer market – with Family PC, a joint venture with Walt Disney, to be introduced this month, and Computer Life, for "sophisticated consumers", scheduled for release in September – is also a gamble.

Another venture, launched yesterday, takes the company into television programming with four-weekly shows for computer buffs. "The pending sale of the company hasn't slowed us down one bit," Ziff boasts. Top management, including Eric Hippeau, chairman and chief executive, has reassured employees that it intends to remain with the company after the sale, and insists that a change of ownership will not put a crimp on Ziff's ambitious growth plans.

Whether a new owner will want to continue investing in the new Ziff projects, started by Mr Hippeau, is questionable. Keeping him and many of Ziff's key people on board will, however, require the current "hands-off" approach to be preserved, employees say. That may be a lot to ask on top of a premium sales price.



# Food, inglorious food

## **Clive Cookson** on a row over government eating guidelines

An apple a day keeps the doctor away. Eat your greens. A little of what you fancy...

The dietary advice given by these ancient adages seems as fresh as ever today. And it puts into perspective this week's row over plans by the UK government to issue detailed new guidelines for healthy eating.

The food industry is lobbying the Department of Health to tone down draft recommendations circulated by its Committee on Medical Aspects of Food Policy (Coma), which it says are far more specific than current scientific knowledge would justify.

Coma proposes, for example, that people should halve their weekly consumption of cream from today's average of one tablespoon to half a tablespoon. They should eat only one or two biscuits a day, rather than four today. And they should allow themselves only three-quarters of a chocolate bar a week.

On the positive side, potato eating should increase from two to three "egg-sized potatoes" a day. And people should consume more daily bread: four and a half slices rather than three today.

Mr Dominic Cadbury, chairman of Cadbury Schweppes, says he recently went with the leaders of other UK food manufacturers to tell health ministers of their concern at the way the government's nutritional policy was developing. "The government is telling people what they should eat – and there is no scientific or medical justification for that," he says. "It is now taking the level of 'guidance' to absurd levels."

Consumer groups, however, support the efforts by Coma and other government health bodies to give the public more specific dietary advice.

"People have got the basic message that they should eat better food, but for some reason they're not doing so," says Ms Jeanette Longfield, co-ordinator of the National Food Alliance, an umbrella organisation comprising 50 groups from the National Farmers Union to the British Heart Foundation. "Coma is trying to give people more specific guidelines – which can only help them."

Critics of dietary guidelines have made much of the apparent disagreement between specialists about what makes a healthy diet – and of the way nutritional fashions change over time. But Dr Mike Rayner, a researcher in Oxford University's Department of Public Health and Primary Care, says uncertainties have been exaggerated.

"There are still areas of doubt – for example about the benefits of eating more fibre and cutting down on sugar – but there are also conclusions which have not changed for many years," he says. "One is the need to cut down on fats."

Dietary targets have conventionally been couched in terms of nutrients. For example, an influential 1992 white paper said the percentage of food energy derived from all fats should be cut by 12 per cent by 2005 and the percentage from saturated fatty acids should be reduced by 35 per cent.

Consumer pressure groups argue that nutrient guidelines must be translated into more comprehensible advice about food servings. "It's harder to be prescriptive about foods than nutrients because portion sizes vary," Dr Rayner says. "But messages about nutrients haven't worked because people don't really understand them. A new approach is needed, even if the food guidelines are not scientifically perfect."

In the US, there is greater consensus about dietary guidelines than in the UK. "There was much controversy during the 1970s but that has died down and now the argument is just about details," says Dr Paul Thomas, nutrition project director at the Institute of Medicine in Washington.

The Human Nutrition Information Service, run by the US departments of health and agriculture, publishes a Food Guide Pyramid which goes further than anything issued by the UK government. The Pyramid has building blocks corresponding to the main food categories, each with a recommended daily intake.

The "bread, cereal, rice and pasta group" forms the Pyramid's broad base, with 6-11 servings a day. Recommended guidelines for fruit and vegetables are 2-4 and 3-5 servings respectively. For fats, oils and sweets – the foods at the tip of the Pyramid – the recommendation is "use sparingly".

Dr Thomas says the US industry "varies in its enthusiasm" for dietary guidance of this sort but is not campaigning actively against it.

The UK equivalent of the Pyramid is the Plate, launched last month in a Health Education Authority leaflet. It does not explicitly recommend how much to eat, though it says that the proportions of different foods on the Plate reflect the balance people should aim for. Fruit and vegetables take up 30 per cent of the plate, while fatty and sugary foods are squeezed into 10 per cent.

For Mr Cadbury and other UK food manufacturers, the Plate principle is unacceptable.

Why then do nutritionists think it is worth trying to influence what people eat? Because statistics show that at least a fifth of all deaths are linked to diet, says Dr Sheila Bingham, senior scientist at the Medical Research Council's Dunn Nutrition Centre in Cambridge. The best estimate is that 30 per cent of heart disease in the UK is caused at least partly by what people eat.

The nutritional picture is not wholly gloomy. The rapid rise in sales of skimmed milk, low-fat dairy products and lean meats shows that the message is getting through to increasing numbers of people.

At the same time, however, consumer groups point out that the ever increasing availability of cheap, unhealthy manufactured foods means that people need more and more information and willpower to eat well.

Ultimately, genetic research will probably come to the rescue. Within 20 years, it may be possible to test everyone for genes that make them susceptible to particular diseases related to diet. If so, nutritionists will be able to abandon their general messages and formulate a healthy diet for each individual. Until then, the sensible course is to ignore food fads and follow the maxim that variety is the spice of life.

# Why the players complain it just ain't cricket

## The strike could wipe out America's baseball season, says **Jurek Martin**

Thursday night in Baltimore was fit for the end of the world or the baseball season, whichever matters most. With thunder and lightning offstage, the downpour began gently enough ("English rain," said the man in the seat behind), but soon assumed biblical proportions. The Baltimore Orioles and the Boston Red Sox struggled into the third inning before the umps called for the tarp and nearly three hours later they called it a night.

There was no "make-up" game yesterday. In fact no major league baseball was played anywhere in America yesterday, nor may it be for the foreseeable future. After Thursday night's finale and with 50 days still to go in the regular season, 672 professional players from 28 teams walked out on strike. It is quite possible that no World Series, the ultimate championship, will take place in October, the first such gap in the peacetime autumnal calendar since 1905.

This is the eighth labour dispute in America's national sport in the last 22 years and undoubtedly the most serious since 1981, when nearly two months were lost in mid-season. Though it has been coming a long time – the players and owners have had no contract since last year – it casts a long pall. A season that had more than its usual share of magic on the field has been cut short.

The dispute pits two so far immovable forces – 28 team owners versus a players' association (union). The owners, probably the only cartel in America with congressional exemption from the antitrust laws, claim the financial stability of the sport is in jeopardy; the players, with many hard-won contractual victories under their spikes, suspect the owners want to reinstate labour servitude.

The strike is, of course, all about money but, because it is baseball, the most subtle of all sports, it is much more complicated than mere player pay. This one is essentially about a concept known as the "salary cap", already in use in American football and basketball. The ceiling is not on the individual contract but on total team payroll. If a superstar is paid a fortune, then savings have to be made elsewhere on the playing roster.

The idea stems from the desire of the owners to reach a different revenue-sharing agreement with the players from the 50-50 split in effect under the expired contract. The owners contend that as many as half the teams now operate at a loss, but since no team books are open for inspection this is impossible to verify. Cynics point out that, if even a smallish franchise can change hands for $125m, as the Seattle Mariners did in 1992, it is unlikely to be a money loser.

What the owners have never been able to do is agree among themselves how to

Babe Ruth: hero of a bygone era

iron out the revenue differences between big city teams with vast TV revenues, like Ted Turner's Atlanta Braves, which are able to afford a $54m a year payroll, and those pushed to find even a third of that sum. Ironically, the team with the best playing record this year, the Montreal Expos, has only an $18.5m payroll, the second lowest after the $15.5m of the San

> The fact that a top player stands to lose $31,148 per day's work does not cause the suffering faithful to weep buckets

Diego Padres. The players argue that they should not be forced to suffer from the owners' inability to settle their own problems.

But public sympathy is not exactly with the men who play the game. The average major league salary now stands at $1.2m a year, nearly a tenfold increase in the last 14 years. The fact that Bobby Bonilla of the New York Mets stands to lose $31,148 per day's work does not exactly cause the suffering faithful at Shea Stadium to weep buckets, given their own take-home pay. There might be more feeling for those on the annual minimum wage ($109,000), though many of them have been sent down to the minor leagues to keep playing – and to be paid for it.

But economists are urging the players to stand fast. Henry Aaron (of the Brookings Institution, not *the* Henry Aaron who hit 755 home runs) wrote this week that the owners' plan was nakedly designed to increase team revenues at the expense of salaries without guaranteeing that profits would then be distributed among the poorer teams. Baseball, he concluded, "is financially and competitively alive and well".

It is in fact only a medium-sized business. Its estimated annual revenues of about $2bn put it on a par with, for example, Dell Computer and the New York Times. The strike will mostly hit local economies (about 2,000 are employed directly and indirectly whenever the Orioles play at home), but will not exactly be a factor in Fed monetary policies.

Still, baseball was on a roll, with this year's attendance projected at 70m. Marvellous new stadiums in Baltimore, Cleveland, Chicago and Arlington in Texas and popular new teams in Colorado and Florida have attracted vast crowds (an Orioles ticket is like gold dust) and done much to revitalise decaying downtowns.

Above all, this season had threatened to be one for the ages. All the six realigned divisions have been competitive, even if the two in the west have competed mostly to be awful. Individual records were under serious attack, like the 61 home runs hit by Roger Maris in 1961. Perhaps the juiced-up baseball has been a factor but, as of Thursday night, Matt Williams of San Francisco, with 43 dingers, was exactly on Maris's pace, with Griffey, Thomas, Bonds and Belle not far behind. Tony Gwynn of San Diego was batting .394 with a fair chance of being the first since Ted Williams in 1941 to hit the magical .400 mark (that is, four hits in every 10 official times at bat). On the pitching side, Maddux, Mussina, Key and Cone were all at their artful best, while Kenny Rogers of Texas pitched only the 12th perfect game (no runner reaching base) in the history of baseball.

There were glimmers of cracks in owner solidarity on Thursday night, but little optimism from the players. Ben McDonald, the Oriole pitcher, was asked if President Bill Clinton might intervene, as he has contemplated. Big Ben, who might have heard about the crime bill failure in Congress during the rain delay, acidly replied: "He can't take care of his own business, much less ours."

# LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

## A Don Quixote to be remembered for all the right reasons

*From Mr Jörg Schimmelpfennig.*

Sir, Having seen the Royal Ballet's production of *Don Quixote* first during its original run in 1993 and a further two times during this year's summer season, I still cannot agree with Clement Crisp who in his latest biting attack opted for "bloodbath" ("Coppélia", August 12). The Royal Ballet's reading of the the text is much more in line with the tradition of classical ballet than a first glance suggests. One has to remember that, in the 19th century, ballet music, to use Konstantin Skalhovsky's fitting comparison, was supposed to enliven the dance as colour enlivens a drawing. Marc Thompson's witty, though admittedly unusual, designs are but a natural extension of this view. Instead of competing with the dancing it positively encourages the eye – and the mind – to concentrate on what ballet is all about. And what wonderful dancing it was.

When this ballet was shown for the last time a fortnight ago Fiona Chadwick and Zoltán Solymossi, as Kitri and Basilio respectively, gave one of the most inspiring performances I have ever seen. Their sparkling *pas de deux*, flashing variations and a joyous finale was classical dancing at its very best. The audience was still captivated long after the last of a seemingly endless number of much deserved curtain calls.

With respect to the supporting roles, Nicola Tranah – in much the same way as Rachael Whitbread on the previous night – proved the casting policy absolutely right with a beautiful and highly lyrical reading of the Queen of the Dryads. Jane Burn and Belinda Hatley (Ann De Vos on Friday night, respectively) showed joyful dancing just as it is supposed to be done.

A *Don Quixote* to remember for all the right reasons!

Jörg Schimmelpfennig,
*Natruper Str. 100B,*
*D-49076 Osnabrück, Germany*

## Respectable return on use of consultants

*From Sir Peter Levene.*

Sir, I read with interest the letter from Barry Reamsbottom (August 9), who, I fear, has *misunderstood* both the Efficiency Unit scrutiny report on external consultants and the recent white paper on the civil service.

The scrutiny reported that much of the work undertaken by external consultants was linked to the requirements of government programmes such as road planning/building, weapons systems design, etc, rather than simple cost-cutting exercises. Of the £12.2m direct savings identified in the report, the expenditure generating this figure was less than £3m (*in itself a respectable return*) and not the £506m total spend on external consultants.

The "market testing", or more correctly competing for quality, programme to which Mr Reamsbottom refers somewhat disparagingly is on course to have covered some £2bn worth of activities before the end of this year, with savings in the majority of cases of more than 20 per cent being achieved by the winning bids. This is true where an outside contractor has won or where the work has been won by an *in-house* team.

Far from being discontinued, as Mr Reamsbottom suggests, the civil service white paper incorporates this technique for all departments to employ along with other efficiency measures that they are taking. The white paper makes clear that departments will continue to publish their intentions and report achievements against their commitments.

The scrutiny on external consultants was not launched either to defend or castigate external consultants, but rather to show how government can improve its procedures when using them. This, I believe, it has done. The intention, as with market testing, is to ensure that the taxpayer's money is not wasted.

Peter Levene,
*prime minister's adviser on efficiency,*
*Efficiency Unit, Cabinet Office,*
*70 Whitehall,*
*London SW1A 2AS*

## Repellant for some, but ferociously effective for vikings

*From Måns Lönnroth.*

Sir, You reported ("Man bites midge", August 6/7) that the bog myrtle, "one of the least productive features of the Scottish Highlands", now is ripe for exploitation as a base for a natural insect repellant.

There is another use for bog myrtle. As a herb, it can be used to spice vodka to a rich and full flavour. A glass jar, say half a litre size, is filled with the spring leaves of the bog myrtle, after which the leaves are drenched in vodka. After some four days the essence is separated and the leaves thrown away. The essence should then be poured into fresh vodka to the proportion of 1:10.

The legend has it that the vikings also used to spice their beer with bog myrtle, which was said to make them especially ferocious. Or perhaps they used it as a repellant.

Måns Lönnroth,
*Iversonsgatan 2,*
*11430 Stockholm,*
*Sweden*

## Tantalising the taste buds

*From Ms Clare David.*

Sir, I read your article on the ever-increasing pretentiousness of today's cuisine served by modern-day caterers with sympathy and horror ("Awful lapse in taste", August 8). It is true that dishes are now becoming more and more complicated, with a myriad of ingredients fighting for first place in the "guess what you're eating" competition.

However, certain continental cuisine – especially Italian – concentrates on allowing one flavour to tantalise the taste buds rather than bombarding them with hot, cold, sweet and sour all in one go. The fresh taste of basil comes shining through in the simple yet delicious Ligurian dish of *Tagliatelle alla Pesto Genovese*, although some philistines do distort the recipe to include parsley and potatoes!

Other sauces, like *pastasciutta*, again focus on one main ingredient such as the mighty mushroom, the esoteric artichoke or the unassuming olive and, stirred into some freshly cooked pasta, create a delicious and unpretentious dinner.

Perhaps seeking out genuine Italian dishes is the secret of a happy, hearty meal...?

Clare David,
*Sacla UK,*
*Park House, High Street,*
*Colnbrook, Berkshire SL3 0LX*

## Customers of no concern?

*From J Rowbottom.*

Sir, In "Yorkshire Water accepts price set by Ofwat" (August 3), you quote the company chairman as saying: "If she [Mrs Diana Scott, a former regulator seeking a seat on the board] wants to look after the interests of the customers the board of the plc is not the place to do it."

As a captive customer of Yorkshire Water, am I to infer that consideration of customers' interests is not a matter for board concern? Has the company learnt nothing, one wonders?

J Rowbottom,
*Fairmount,*
*Queen's Drive Lane,*
*Ilkley, West Yorkshire*

Persil increases market share and overtakes Ariel in 'soap wars'

# Unilever edges ahead by 4% to £1.06bn

By Neil Buckley

Unilever has increased its share of the washing powder market in the UK and France in spite of the "soap wars" raging over its newly-launched Persil/Omo Power detergent.

The Anglo-Dutch food and consumer products group announced this yesterday while revealing better than expected second quarter pre-tax profits up 4 per cent from £590 to £611m. That took the figure for the first half to end-June to £1.06bn (£1.03bn)

The shares jumped 55p to £10.97p.

Figures from Nielsen, the market research group, showed that the group's Persil brand had increased its overall UK market share from 27 per cent to 28.2 per cent since the launch of Persil Power – known as Omo Power outside the UK and France – in April.

The market share of rival group Procter & Gamble's soap powder Ariel had fallen from 29 to 26.4 per cent in the same period.

Ariel retained the lead in the concentrated powder market with 10 per cent, but Persil's share had increased from 6 to 9 per cent.

Unilever has been engaged in a propaganda battle with Procter & Gamble over the latter's claims that Persil/Omo Power could damage garments.

The controversy meant sales of the new product had been disappointing in Scandinavia, Switzerland and the Netherlands. Unilever said, however, that sales were now improving in the Netherlands. Sales had been stronger in the UK and France. .

The group stressed that concentrated soap powder accounted for only 2 per cent of worldwide turnover, which had been boosted by strong performances in several markets.

Group sales for the second quarter and half year respectively were £7.67bn (£7.08bn) and £14.4bn (£13.5bn).

Sir Michael Perry, chairman, said he expected "a continuing improvement in trading conditions in our principal markets will lead to some further strengthening of our results".

In Europe, half-year operating profits increased from £654m to £685m on turnover of £7.84bn (£7.58bn). Sales of oil- and dairy-based foods declined, but sales of ice cream and Liptonice, the ready-to-drink tea product, were strong.

Sales and profits increased in the speciality chemicals business - supplying products such as flavourings, fragrances and adhesives to third parties - suggesting a pick-up in the economy.

North American turnover increased from £2.61bn to £2.8bn, with profits up from £100m to £104m. The food business improved, with stronger sales in oil- and dairy-based foods and pasta sauces.

Sales of ice cream increased significantly after Unilever acquired Kraft General Foods' ice cream business last year, but the price war continued to make conditions tough in detergents.

Profits outside Europe and North America were £346m (£318m) on sales of £3.72bn (£3.32bn), with strong performances in Brazil and India.

Earnings per share for the half year, at current exchange rates, were 36.13p (36.38p).

The interim dividend will be declared with the third quarter results in November.

See Lex

# Sizeable pay rises for Guinness directors

By William Lewis

Directors of Guinness, the brewing and spirits group which in March reported an 11.7 per cent fall in pre-tax profits for 1993, have been awarded pay rises of up to 13.6 per cent.

The rises, which took effect from the beginning of last month but will not be publicly revealed until publication of the company's 1994 annual report next year, coincide with Guinness bowing to shareholder pressure and abolishing directors' three year rolling contracts.

Three executive directors, including Mr Anthony Greener, chairman, have been put on three year fixed term contracts renewable every 12 months. However, Mr Brian Baldock, who is within three years of retiring, remains on a three year rolling contract.

The move brings Guinness in line with the demands of Mr Alastair Ross Goobey, chief executive of PosTel, the £25bn fund management institution.

Two months ago Mr Ross Goobey announced that PosTel would be voting against the election of directors who have rolling contracts longer than two years.

PosTel's initiative was taken after mounting frustration at large pay-outs to directors when they are forced to resign. In its most recently published report and accounts, for the 1993 year, Guinness revealed that it had agreed to pay £670,000 to Mr Crispin Davis, an executive director until his resignation last October. Mr Davis had been on a three year rolling contract.

Guinness said that the move to fixed term contracts came after the company had "listened to shareholders". Just four months ago the company stated that it had no intention of amending the rolling contracts.

Three Guinness directors have had salary rises although the pay of Mr Greener has again been frozen at £600,000 – in line with an agreement he made with the company when he became chairman in January 1993.

The basic salary of Mr Philip Yea, finance director, rose by £30,000 – 13.6 per cent – to £250,000 while the pay of Mr Brendan O'Neill, appointed a director last April, rose from £240,000 to £270,000, an increase of 12.5 per cent. Mr Baldock's basic pay rose from £335,000 to £360,000 – an increase of 7.5 per cent.

The company said that the contract change and salary rises were both decisions made by the committee of non-executive directors. Its members include Sir Ian MacLaurin, chairman of Tesco, Mr Dominic Cadbury, chairman of Cadbury Schweppes, and Sir David Plastow, chairman of Inchcape.

Guinness stressed that accounting changes, including a £173m charge principally relating to goodwill, were behind the fall in pre-tax profits from £795m to £702m during 1993. On a comparable basis, however, pre-tax profit fell by 1 per cent – 4 per cent at level exchange rates– to £908m.

# Howden expands in S Africa

By Peter Franklin

Howden Group, the Glasgow-based engineering company, has expanded its South African operations with the acquisition of Donkin Manufacturing and a number of associated companies for £4.6m cash.

There will be a further cost of about £500,000 for rationalisation and reorganisation.

The businesses being acquired are involved in the design and manufacture of fans and air handling units for the industrial and mining market in South Africa. They had a combined turnover of £10m in the year to June 30.

The activities will be integrated with the existing operations of Howden Group South Africa.

Howden also completed the amalgamation of its US subsidiary, Pneu Devices, with FCD Corporation, a Connecticut-based manufacturer of military environmental control systems and pumps, which it acquired in May.

The purchase price and the cost of combining the businesses is estimated at £4.5m.

To finance these acquisitions Howden is raising some £9.56m before expenses by the issue of 10.2m new ordinary stock units of 25p each.

The issue has been conditionally placed by Allied Provincial Securities with institutional investors at 93¾p apiece.

# Deputy confirmed in top job at Harrods

By Neil Buckley

Harrods, the London department store, has appointed Mr Clive de Boer as managing director.

Mr de Boer, 54, has been acting managing director since April when his predecessor, Mr Peter Bolliger, made a controversial exit from the store.

Mr de Boer joined the store in 1964 as a sales assistant in the table and ovenware department He served at every level of management, and was merchandise director before being appointed deputy managing director in 1992.

Mr de Boer said yesterday he was delighted to become managing director when Harrods was on the "threshold of new and exciting developments in Knightsbridge and in Harrods International".

# Welded mesh potential offered in Vietnam

Mr Bill Gregory was appointed general manager in July last year of BRC Weldmesh (Vietnam), jointly owned – through Singapore based BRC Weldmesh (SEA) – by Hall Engineering and BHP, the Australian steel and resources group, writes Andrew Baxter.

"Some people say we're here a little bit early. But if we'd waited another year before we'd started, we'd be too late. The potential is enormous," he says.

The venture is the most ambitious step so far in Hall's regionalisation strategy. Operating from an old US military base in Ho Chi Minh City, the company, which began production this spring, has a dual role.

Using imported steel and production equipment, it is producing bar chairs – spacers used in welded mesh – for export to Singapore and Hong Kong.

But Mr Gregory is also trying to develop a local market for welded mesh to reinforce concrete, and introduce a low cost housing system based on the European "lattice girder" system of lightweight prefabricated concrete beam reinforcement and filler blocks.

Welded mesh costs a bit more than the mild steel reinforcing bar used in Vietnam, says Mr Gregory, but is much stronger, so less needs to be used.

"We're using up a lot of hard shoe leather, spending a lot of time on the ground," he says. "You need to establish a base here, and not just come in to make a quick killing."

Because of welded mesh's advantages, the Ministry of Construction in Hanoi has been "100 per cent behind us," he says. The company is even helping the government to develop astandards code for welded wire products.

Turnover is growing quickly from a standing start, but setting up the venture has not been easy. Finding the right employees was a problem, but the workforce of 25 is now performing well, says Mr Gregory.

Having got to grips with all the formalities of setting up a business in Vietnam, his seven-day weeks are now down to a mere five and a half, giving him time to spend on his martial arts hobby by teaching karate to young Vietnamese.

# The returns from regionalisation

## Andrew Baxter explains why Hall Engineering is expanding in Asia

TACKLING ASIA'S TIGERS

Singapore, as many visitors have noted, is an island state that seems to be run like a company. It is an observation that has a special relevance for Mr Richard Siew, managing director of overseas operations at Hall Engineering (Holdings).

"You can see government policy going in one direction, and you can more or less say that we will also be doing that as a company," he says.

In effect, the regionalisation which Singapore is urging the island's corporations to pursue, exploiting untapped opportunities and lower labour costs in neighbouring countries, is being mirrored at Hall.

This is a new departure for Shrewsbury-based Hall, which is best known in the region for its constructional steel products. Elsewhere, it is also involved in automation pressings and production equipment and steel stockholding.

"We've been managing very successfully in Singapore on our traditional businesses," says Mr Siew, who took over his new Singapore-based post in May. "But although we've been established for a long time in the region, we have not accelerated in line with the explosion in growth in the region."

One of Mr Siew's key roles will be to help Hall step on the regional accelerator. Asia – principally Singapore – has been good to Hall and its shareholders, and accounts for the bulk of Hall's associated companies, which contributed £7.6m to overall pre-tax profits of £8.6m last year.

The contribution will be particularly useful this year following Hall's surprise announcement in May that its results this year would be "materially short of those for 1993" because of the postponement of part of a large European contract won by Stadco, the automotive engineering company, and margin pressure in the UK steel stockholding and steel reinforcement businesses. The news immediately depressed the share price by 71p to 169p, although it has since recovered to 179p.

Historically, Hall's two investments in the region are BRC Weldmesh (SEA), which makes welded steel wire mesh used to reinforce concrete, and BHP Lysaght (SEA) which makes roll-formed roof sheeting and cladding.

The two companies, which are joint ventures with BHP of Australia, have dominant market shares in Singapore – between 40 and 50 per cent for wire mesh and 80 per cent for metal roofing.

Richard Siew (left) and John Kong: Singapore has been good to Hall and its shareholders

**Hall Engineering in Asia**

| Country | Company | Stake |
|---|---|---|
| Singapore | BRC Weldmesh (SEA) | 50% |
| Singapore | BHP Lysaght (SEA) | 25% |
| Indonesia | PT BRC Lysaght Indonesia | 20% |
| Hong Kong | BRC Weldmesh (Far East) | 50% |
| Vietnam | BRC Weldmesh (Vietnam) | 50% |
| Sri Lanka | BHP Building Products | 18.75% |

The position has been built up through successful marketing and product development during the construction boom in Singapore over the past 20 years. BRC Weldmesh, for example, pioneered the production of individual welded mesh tailored to architects' designs to avoid the need for cutting mesh at cramped construction sites.

Mr Siew believes it would be naive to expect quantum leaps in Singapore's economy that would enable these businesses to grow sharply in the next five years. Even so, the island state still offers opportunities. Mr Peter Hellweg, managing director of BRC Weldmesh in Singapore, hopes the company can benefit from ambitious public housing plans.

After a "huge price fight" in the early 1980s, profits are reasonable, he says, but the business needs careful managing. If profit margins became too high, it could draw new competitors into an industry where entry costs are low.

To maintain profitability – and in response to Singapore's relatively high labour costs and manpower shortage – production of spacers for the welded mesh has already been moved to Vietnam [see panel]. Mr Hellweg says production of more labour intensive fine mesh products may follow.

The regionalisation moves which Mr Siew is now accelerating for Hall are, broadly, of three types. First, expansion is under way in its traditional constructional steel businesses. Indonesia, with its 200m population, need for improved housing and spending on its infrastructure, offers "tremendous potential" for wiremesh and roll-formed products, he says.

PT BRC Lysaght Indonesia, another partnership with BHP, has been operating in Jakarta for 20 years and has recently opened a new factory in Surabaya to service the east Indonesian market. Other regional Indonesian markets such as Sumatra are being looked at.

Elsewhere, a BHP building products factory is due to open before the end of this year in Sri Lanka. It has been a classic policy of starting with exports, and building up the business until local manufacturing is viable, says Mr John Kong, general manager of BHP Lysaght (SEA).

Burma and Cambodia are being investigated.

The second type of expansion is in Hall's higher technology businesses such as automation, precision metal cutting and pressings. Malaysia's ambitious industrialisation strategy, and the emphasis on the automotive, petrochemical and aerospace industries make it a logical destination for this end of Hall's business.

The third type of expansion involves Hall's low-tech and high-tech businesses in unison, a tempting opportunity which, uniquely, is offered by China's economic expansion. Hall has done nothing yet in China, says Mr Siew, apart from exporting some mesh from Hong Kong, but he is hoping to change that.

The mesh market in China has hardly been tapped, he says, and the challenge will be to get it specified in preference to reinforcing bar (rebar), a rival method which helps provide employment on construction sites.

The main difficulty will be to find a suitable local partner, says Mr Siew, to help handle the formalities. "We are sending out feelers," he says.

At the high-tech end, Hall is following events in the automotive industry closely. Mr Siew is encouraged by recent legislative changes which show China wants to localise the supply of components to western manufacturers setting up car plants, and may also develop a national car. A joint venture between a car company and Stadco, giving it captive business, would be ideal, he says.

Mr Siew has not been set financial targets by the head office in Shrewsbury, but says: "It's quite clear that the big picture is to grow and develop this area. Look at the returns compared with elsewhere and common sense will tell you where to put your money."

*A previous article in this series appeared on August 9.*

# Nightfreight shows sharp jump to £1.35m

By Simon Davies

In its first set of results since coming to the market in May, Nightfreight, one of the UK's largest independent express parcel groups, yesterday announced pre-tax profits sharply up from £539,000 to £1.35m for the six months to May 31.

The shares reacted favourably to the announcement, rising 5p to 105p, matching the initial flotation price.

Turnover more than doubled from £9.31m to £21.8m during the period, although £11.9m of the increase came from the acquisition last November of PHS Group and Greenline.

Volume throughput from its core Nightfreight network showed a 19.6 per cent increase. Mr Russell Black, chief executive, said the bulk of the improvement came from new business, rather than existing customers.

Profits from continuing operations increased from £623,000 to £1.23m, with a further £540,000 coming from PHS and Greenline.

Since the flotation Nightfreight has opened a new depot in Lincoln, and it plans further expansion in Cheshire and the Scottish Borders, during the second half.

It also recently established a joint venture with Toga Freight, to give it access to the Irish market.

The company achieves the bulk of its profits during the second half of the financial year, and Mr Black said it was on target for its prospectus forecast of £4.5m.

Earnings per share emerged at 2.62p (1.54p) and an interim dividend of 1.13p is declared.

# Plantsbrook shares rise 48p

Shares in Plantsbrook, the UK's largest quoted funeral group, surged by 48 per cent yesterday on news that Service Corporation International had acquired a 3 per cent stake, and was buying more shares, writes Simon Davies.

Plantsbrook claimed it had no warning of the purchases, and had no communication as to the intentions of the US funerals group.

Investors, however, reacted with enthusiasm, following the SCI bid for Plantsbrook's only listed rival, Great Southern Group, which resulted in an offer 63 per cent above the pre-bid share price.

At yesterday's closing price of 148p, the market capitalisation of Plantsbrook (including convertible shares) is £163m, but at this stage, there is little expectation of a bid.

SCI has indicated that it was concerned that its main competitor, Vancouver-based Loewen, might be planning a raid on Plantsbrook shares, and this move was implemented to pre-empt that.

# Cost savings behind Haden's 22% advance

By Tim Burt

Haden MacLellan Holdings, the diversified engineering group, yesterday announced a 22 per cent increase in interim profits as its wide-ranging restructuring and cost-saving programme began to pay off.

Despite intense competition in several markets, pre-tax profits for the six months to June 30 rose to £2.2m (£1.8m) on turnover of £171.8m (£152.7m). Operating profits increased 33 per cent to £2.8m (£2.1m). The shares closed up 5p at 84p.

The improvement was fuelled mainly by the process engineering and services operation in North America, where profits rose to £1.9m (£500,000) following record orders from the automotive industry and a two-year drive to reduce costs.

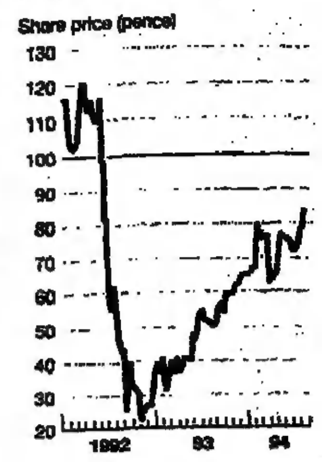
Mr Richard Taylor, group managing director, welcomed the results but warned that the group would have to focus on its core interests – including industrial fasteners, machine tools and paint finishing systems – if it was to achieve significant earnings growth.

"We've cut costs, but there's more to be done and we're looking at divesting non-core activities," he said.

The disposal plan is likely to focus on the manufacturing and distribution division, where profits rose only marginally to £400,000 (£300,000) on turnover of £44.2m (£40.9m).

Although margins had improved, Mr Taylor said the market for the machine tool business "remained pretty dismal".

**Haden MacLellan**




Source: FT Graphite

Its sluggish performance was offset partially by profits of £1.3m (£1.2m) in the fasteners business, which benefited from increased investment in new plant and facilities.

The £13m rights issue in March helped reduce net borrowings from £11.6m at the year end to £2.5m – equivalent to gearing of 14 per cent. "We've strengthened the balance sheet and restored our credibility as a global player," said Mr Taylor.

Earnings per share rose to 1.7p (1.3p); the interim dividend is held at 1p.

# L&G Ventures trust will invest in MBOs

By Richard Gourlay

Legal & General Ventures, the venture capital group, yesterday announced it was creating an investment trust which would invest primarily in companies recently floated by management buy-out and buy-in teams.

Legal & General is focusing on this set of companies because research suggests former MBO and MBI companies have out-performed the stock market since 1987.

The new vehicle will be the first investment trust to focus almost exclusively on former MBO and MBI companies.

Earlier this year L&G Ventures launched the first trust exclusively investing mezzanine finance in unquoted companies.

To create the new vehicle, L&G Ventures is taking over the management of an existing investment trust, Group Development Capital Trust, which invested in unquoted companies but now has most of its assets in cash and gilts.

The new investment policy will direct 75 per cent of Group Development's assets into listed MBOs and MBIs and the other 25 per cent into unlisted MBO and MBI companies which are likely to float.

Mr Charles Peal, managing director of L&G Ventures, said recently floated MBOs and MBIs were attractive investments because typically they were focused businesses with strong leadership and strict financial controls.

SG Warburg is making a cash offer to shareholders of Group Development. The cash offer will give shareholders 97.5 per cent of the value of Group Development's assets.

At the same time, L&G Ventures hopes to raise up to £25m through a placing and offer of subscription units which will give the right to be allotted new ordinary shares and warrants.

The placing and offer for subscription are conditional on a minimum subscription of £10m being achieved. If this level is not reached, L&G Ventures will still take over Group Development.

Mr Peal said using an existing investment trust was a much cheaper way of raising capital. Legal & General Assurance Society already holds 26.5 per cent of Group Development.

## NEWS DIGEST

### Increased losses at Birkdale

Increased pre-tax losses of £4.53m, after exceptional costs of £1.75m, were announced by Birkdale Group, the advertising and marketing consultancy, for the year to March 31. Last time there were losses of £3.59m, restated for FRS 3.

Turnover improved from £20.2m to £22.7m including £7.35m (£7.33m) from discontinued operations and £1.24m from acquisitions.

The exceptional costs comprised of £715,000 for reorganisation including severance and redundancy costs and provisions of £1.04m for future holding costs of leasehold properties.

Following the rights issue last year, losses per share were cut to 7.7p (12.4p). The shares closed 1p lower at 7½p.

### Engl & Caledonian

The Gartmore-managed English & Caledonian Investment lifted net asset value by 21 per cent – from 191.2p to 231.6p per share – during the 12 months to June 30.

Net revenue edged ahead to £300,000 (£192,000) for earnings of 4.46p (4.28p) per share. A proposed final dividend of 2.75p maintains the total at 4p.

### MFI

Mr Derek Hunt, chairman of MFI, the furniture group, saw his pay packet cut by 75 per cent last year, because of the absence of a £1.3m management bonus on flotation.

His pay fell from £1.6m to £400,000, according to the annual report. The decline masked a 35 per cent increase in salary and benefits partly because of an £85,000 performance bonus.

Mr Hunt's salary and benefits, including the performance pay-off, increased from £271,000 to £367,000. Pension payments rose by 27 per cent to £33,000.

MFI reported pro forma pre-tax profits more than doubled, from £40.2m to £87.8m, on sales 9 per cent ahead at £659.4m, for the 53 weeks to April 30.

### Fleming Enterprise

Net asset value at Fleming Enterprise Investment Trust was 208.1p per share at June 30, up from 201.6p a year earlier.

The trust, which seeks capital growth through investment in medium-sized UK companies, reported net revenue of £2.14m for the 12 months, against an adjusted £2.22m, equivalent to earnings of 5.35p (5.56p) per share.

A recommended final dividend of 3.4p makes 4.8p (4.7p) for the year.

### Jupiter Intl Green

Jupiter International Green Investment Trust, managed by Jupiter Tyndall Merlin to seek long term growth through a portfolio of companies "demonstrating sound environmental practice", had a net asset value of 55p per ordinary share at June 30.

The figure represented a modest decline on the 58.71p of end-June 1993.

The value per unit – comprising one ordinary and one zero dividend share – improved from 110.52p to 112.64p.

Net revenue for the six month period amounted to £443,000 (£484,000) for earnings of 1.76p (1.92p) per share. The interim dividend is held at 1.7p.

### Burlington

Burlington Group, the investment holding company, reported a net asset value at June 30 of 17.71p per share, after taking its investments at market value, down from 20.45p at end-December and 18.78p at June 1993.

Pre-tax profits for the six months to end-June improved to £72,000 (£64,000), helped by capital profits from a reduction in the fixed interest portfolio. Earnings per share emerged at 0.43p (0.39p).

The directors said they expected a similar outcome for the full year and sufficient earnings to cover a maintained dividend of 0.6p.

## DIVIDENDS ANNOUNCED

| | | Current payment | Date of payment | Corres - ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|
| Eng & Caledonian | fin | 2.75 | Oct 22 | 2.75 | 4 | 4 |
| Flem Enterprise | fin | 3.4 | Oct 6 | 3.4 | 4.8 | 4.7 |
| Haden MacLellan | int | 1† | Oct 31 | 1 | - | 2 |
| Jupiter Green | int | 1.7 | Sept 30 | 1.7 | - | 3.4 |
| Nightfreight | int | 1.13 | Nov 6 | - | - | - |
| Portmeirion | int | 2.5 | Oct 3 | 2.25 | - | 9 |

Dividends shown pence per share net except where otherwise stated. †On increased capital.

## INTERNATIONAL COMPANIES AND FINANCE

# Metallgesellschaft warns on issue

By Christopher Parkes in Frankfurt

Shares in Metallgesellschaft's dropped sharply yesterday after it had issued a stern warning on the risks for shareholders in a DM1.4bn ($890m) capital raising issue which is central to its survival plans.

The subscription period for [illegible] shares at DM250m will run from August 18 [illegible] September 1, the battered [illegible] and engineering group announced yesterday. But at the official market close yesterday the shares [illegible] down DM16, or 7.7 per cent at DM190.50.

Pointing out that the [illegible] price was higher than the current market rate of around DM200 a share, the company said the success of restructuring measures under way could not be definitely guaranteed.

The resumption of dividend payments could not be expected for the foreseeable future and investment in the shares carried an "increased risk", it added in an official statement.

The company said [illegible] although [illegible] future of the group could not be seen as conclusively assured, planned and partially implemented finan[illegible] and restructuring measures were important prerequi[illegible] [illegible] the company's continuation.

The statement also noted an impending legal action in the [illegible] in which Horsehead Resource Development [illegible] claiming $500m damages [illegible] a fraud suit posted against MG's BUS Berzelius.

[illegible] further claim for the same amount by the sacked head of MG Refining and Marketing had no chance [illegible] according [illegible] from [illegible] group's [illegible] lawyers.

Meanwhile, MG is continuing [illegible] its [illegible] out of long-term oil [illegible] in the US which brought the [illegible] knees at the turn [illegible] the year.

For the [illegible] future, MG said [illegible] to the end of September would [illegible] as [illegible] year's DM2bn deficit, [illegible] "noticeable" [illegible] of measures already [illegible] would be felt in the current, final quarter.

Prospects for the remaining businesses, some of which are still to be disposed of, included further substantial losses at the BUS Berzelius [illegible] tal services business, which last [illegible] lost a net DM25m, according to yesterday's announcement.

Lurgi, which [illegible] carrying restructuring [illegible], would also [illegible] a loss.

Earnings [illegible] Lentjes would be lower than [illegible] year's DM19m, while profits would return [illegible] normal in the [illegible] busi[illegible] which [illegible] hit by extraordinary charges in [illegible] 1992-93 financial year.

# Size of oil spill awards lifts Exxon shares

By Richard Tomkins in New York

Shares in Exxon, the US oil company, jumped $2 to $60¼ yesterday after a Federal jury in [illegible] decided the corporation should pay [illegible] in compensation to Alaskan fishermen whose livelihoods [illegible] hit by the Exxon Valdez oil spill [illegible] ago.

The [illegible] favourable reaction resulted from the fact that the award was less than a third of the $895m the fishermen had asked for. More important, it [illegible] hopes that the jury would later impose punitive damages at a much lower figure than the $15bn the plaintiffs had sought.

The jury's verdict was delivered late on Thursday in the second stage of a three-stage trial that began 15 weeks ago in Anchorage, Alaska.

The first stage came in June when the same jury found that reckless conduct by Exxon and Mr Joseph Hazelwood, captain of the Exxon Valdez, contributed [illegible] the ship's running aground shortly [illegible] left [illegible] oil port in March [illegible].

In [illegible] stage, the plaintiffs – about 10,000 fishermen – had sought $895m [illegible] compensatory damages, but [illegible] jury of nine women and [illegible] men decided [illegible] that a much lower figure [illegible] appropriate.

It [illegible] out [illegible] about [illegible] for [illegible] plaintiff.

In the third [illegible] of the trial, [illegible] resume on August 22, the jury [illegible] on punitive damages. If the fishermen's [illegible] of $15bn were awarded, each would become a dollar millionaire.

However, after Thursday's verdict, Wall [illegible] analysts were tentatively [illegible] that the final settlement would be much [illegible].

Since the figure [illegible] was [illegible] calculated as a multiple of the [illegible] damages sought, there was speculation that the final figure for punitive [illegible] might be reduced in similar proportion – in other words, to less than $5bn.

# Axa buys Suez offshoot in Canadian expansion

By Alice Rawsthorn in Paris

[illegible] eyeing financial [illegible] in Asia

Axa, one of France's largest insurance groups, plans to expand its North American interests by buying Boréal Assurances, the Canadian insurer, from Suez, the French financial [illegible] industrial holding company.

The acquisition of [illegible], which made [illegible] profits of [illegible] on [illegible] C$591m, will, according to Axa, turn it into the fourth largest [illegible] in Canada. [illegible] French group's existing Axa [illegible] subsidiary made [illegible] profits [illegible] on turnover [illegible] C$310m.

The [illegible] of [illegible]al's sale comes only a [illegible] days [illegible] completion of a complex [illegible] whereby [illegible] Commercial Union [illegible] UK for FFr12.5bn [illegible].

Axa, the [illegible] largest insurer in France, which already [illegible] a [illegible]iary in Canada as well controlling The Equitable, [illegible] insurer, [illegible] initially [illegible] a potential purchaser [illegible] Victoire.

However, it did [illegible] figure in [illegible] final [illegible] of negotiations, having decided instead to [illegible]centrate on augmenting its international activities.

Although [illegible] and Suez have agreed [illegible] terms of the [illegible] action, for an undisclosed sum, it is [illegible] subject to authorisation from the French and Canadian regulatory authorities.

The Boréal disposal [illegible] part [illegible] an ongoing divestment programme at Suez, [illegible] of [illegible] largest and most varied of the classic French holdings which has for the past three [illegible] been attempting to streamline its [illegible] of industrial and financial interests.

Mr Gérard Worms, chairman [illegible] Suez, said [illegible] that the group, which has raised FFr35bn from disposals [illegible] the past three [illegible], [illegible] plans to expand in specific [illegible], notably within financial [illegible]vices in Asia.

Axa, chaired by the flamboy[illegible] Mr [illegible] also made no [illegible] of [illegible] ambitions. [illegible] recently secured provisional authority [illegible] up [illegible] life insurance business in Japan and announced plans to invest [illegible] the next five [illegible] years.

# SAS Hotels in link with US group

By Michael Skapinker, Leisure Industries Correspondent

Radisson Hotels International of the US said in Stockholm yesterday it had concluded an alliance [illegible] International Hotels, the wholly-owned subsidiary of Scandinavian Airlines System.

Under the agreement, 30 SAS hotels in Europe, Kuwait and China will be renamed Radisson/SAS. An additional SAS hotel now being built in Hanoi will also be named Radisson/SAS when it opens in 1996.

The deal does not involve any change of ownership [illegible] equity in either organisation. [illegible] will [illegible] operate under [illegible] current management, with headquarters in [illegible].

Radisson is part of Carlson, a privately-owned group [illegible] also [illegible] and [illegible] agencies.

SAS will [illegible] the exclusive right [illegible] develop Radisson hotels in Europe. The companies said they hoped to add another 60 hotels to the Radisson/SAS network by the end of the decade. The hotels will be included in the Radisson international reservations system.

Following the announcement, SAS hotels said it would end its co-operation with Swissôtels. Radisson will terminate its agreement with Mövenpick Hotels.

# Charter delays intentions on Esab until bid count completed

By Hugh Carnegy in Stockholm

Charter, the UK industrial group, [illegible] would [illegible] on Monday [illegible] bid for [illegible] welding [illegible] a complete takeover by yesterday's deadline.

The British company said it was awaiting the final outcome of its offer before making [illegible] public [illegible] intentions.

Although [illegible] still counting the returns from [illegible] night, it was already certain [illegible] had failed [illegible] achieve the 90 per cent acceptances set as a condition of the bid.

Charter's options include increasing the £260m [illegible] shareholders anticipate, holding with the majority stake it is already assured of or dropping the bid altogether.

[illegible] full takeover at the original offered price [illegible] SKr345 per share was stymied earlier this week when five Swedish insti[illegible] 20 [illegible] voting capital rejected the bid. This was despite the [illegible] it was [illegible] by [illegible] and [illegible] by Incentive, [illegible] Wallenberg family industrial [illegible] controlling shareholder.

[illegible] yesterday Charter [illegible] only [illegible] 53 [illegible] acceptances, [illegible] 48 per [illegible] held by Incentive and 5 [illegible] it had earlier purchased in the market.

The institutional shareholders rejected the bid as underpriced following a sharp rise in Esab's share price [illegible] offer was made in June and a big rise [illegible] profit [illegible]cast for this year.

# Caterpillar set for record quarter

By Laurie Morse in Chicago

Caterpillar, the international heavy equipment [illegible] engine producer, which [illegible] in [illegible] middle [illegible] a prolonged strike, reported yesterday [illegible] its July [illegible] were up 20 [illegible]. Thus the company was on [illegible] for a projected record third quarter.

A Caterpillar [illegible] declined to specify which of its divisions were [illegible] the strongest sales growth.

The company has said that if the strike continued through the third quarter, [illegible] might be shifted into the fourth quarter.

Members of [illegible] United Autoworkers Union walked [illegible] Caterpillar [illegible] June [illegible] in a [illegible]pute [illegible] working [illegible]. The union has, however, [illegible] sparring with [illegible] company since November, 1991, when [illegible] contract terms conducted an unsuccessful [illegible] walkout.

With no talks on the latest dispute planned, [illegible] been [illegible] that Caterpil[illegible] production [illegible] be curtailed.

But yesterday it maintained that it "continues to believe the labour situation will have minimal impact on sales and profit [illegible] full-year 1994 [illegible] current [illegible] con[illegible]."

Caterpillar says [illegible] been [illegible] planned produc[illegible] schedules, [illegible] the dispute, a point that has been confirmed by some [illegible] its major customers.

[illegible] strike hit [illegible] as the company's [illegible] main industries – [illegible] and heavy equipment manufacturing – were enjoying a robust rebound.

US diesel engine production was up 40 per cent in the first half of the year, while production of construction equipment rose 16 per cent.

# Shell in Texaco additives talks

By Richard Tomkins

Texaco, the [illegible] oil [illegible] is going through a [illegible] restructuring, [illegible] to [illegible] found a buyer for [illegible] world[illegible] in [illegible] shape of Shell Oil, [illegible] Royal Dutch/Shell group.

[illegible] Shell Oil subsidiaries, Shell [illegible] and [illegible] International Chemical, [illegible] they [illegible] in exclusive negotiations with [illegible] to buy the lubri[illegible] additive [illegible] a [illegible] to merging [illegible] with their own [illegible] operations.

No price [illegible] disclosed, [illegible] business had earlier been [illegible] $200m.

[illegible] used [illegible] the performance [illegible] industrial [illegible]. Texaco's [illegible] – in Port Arthur, Texas, [illegible] Janeiro, Brazil [illegible] Ghent, Belgium – make [illegible] for [illegible] transmission fluids, [illegible] oil, [illegible] hydraulic fluids [illegible] types [illegible] gear oil.

The [illegible] on [illegible] in April [illegible] chemical business to Huntsman Corporation [illegible] the [illegible] Huntsman originally agreed [illegible] buy [illegible] business for $1.06bn, [illegible] paid $850m [illegible] to help it find a buyer for the lubricant [illegible] segment.

Since [illegible] Texaco [illegible] announced [illegible]ing involving 2,500 job [illegible] and [illegible] sale [illegible] half [illegible] oilfields.

# BHP seeks approval for iron plant

By Nikki Tait in [illegible]

Broken Hill Proprietary, the Australian natural resources group, yesterday said it was seeking environment approval to build a direct reducted iron (DRI) plant in Western Australia's Pilbara region for more than A$750m (US$551.4m).

While the move does not mean BHP has decided to go ahead with the project, it does indicate that final feasibility studies [illegible] in [illegible].

BHP [illegible] that board approval for the plant, negotiation of "satisfactory" natural gas supply and price arrangements, and "successful completion of definitive [illegible]ring and economic feasibility studies" [illegible] still required.

But if these [illegible] were met, [illegible] of the plant near Port [illegible], [illegible] 1,200km north of Perth, could start in the middle of next year and be completed by 1997.

Capacity would be around 2m tonnes a [illegible] of hot [illegible] quetted iron (HBI). The DRI process involves the reduction of high grade iron ore concen[illegible] using natural gas. The [illegible] produced is made [illegible] small briquettes, which can be fed directly into the new generation of mini-mills.

# COMMODITIES AND BOND PRICES

WEEK IN THE MARKETS

## Coffee traders cautious

The [illegible] market had [illegible] nervous week following [illegible] sharp fall in prices on Monday as speculators and hedge funds baled out of futures contracts in [illegible] York [illegible] push [illegible] down by 11 per cent.

Monday's sell-off on the [illegible]fee, Sugar and Cocoa Exchange [illegible] followed by [illegible] drop of almost $200 a tonne in London prices on Tuesday. This pushed the market down to $3,195 a tonne for the November futures contract at the London Commodity Exchange.

The market managed to claw back some of its losses later in the week, but trading remained thin and jittery and last night, [illegible] still almost 11 per cent lower than Monday's open.

Traders were reluctant [illegible] push [illegible] coffee market strongly in [illegible] stayed cautious ahead of [illegible] US Department of Agriculture report on the extent of frost damage to Brazil's coffee trees, expected [illegible] yesterday. Mar[illegible] participants were expecting US estimates to be more optimistic than Brazil's own [illegible]dictions.

The Brazilian authorities estimate that up to 11m bags or 40 per cent [illegible] the 1995 coffee crop has been affected by the frost. Traders believe the US assessment will put the extent of the damage at [illegible] and 5m bags.

[illegible] means the USDA is likely to estimate [illegible] of be[illegible] and 21m bags for 1995 [illegible] expects [illegible] smaller 17m bags.

Mr Lawrence Eagles, analyst at GNI, the London brokers, [illegible] many tr[illegible] waiting until after the trees flower in September for [illegible] of [illegible] damage. "Undoubtedly [illegible] some stag[illegible] there will be another run-up in price, but the market could fall an[illegible] $500 a [illegible] happens," [illegible] said.

Another USDA report about the prospects for this year's US harvest boosted wheat prices on the Chicago Board of Trade on Thursday. The USDA reduced its forecast of [illegible] wheat output by 5m tonnes to 541.95m [illegible] pushing [illegible] futures prices up by 3 cents to $3.50 a bushel. The USDA also forecast improved prospects for US wheat exports as well as record US [illegible] of maize [illegible] soyabeans.

Meanwhile, this [illegible] there [illegible] more evidence that the unprecedented international trade agreement encouraging aluminium producers [illegible] cut output is having an increasing impact on the huge surplus that depressed prices for so long. The International Primary Aluminium Institute said producer [illegible] fell for [illegible] fourth consecutive month in June, by [illegible] tonnes to 1.993m [illegible]

Since February, when trade delegates from six of the major aluminium-producing [illegible] signed a "memorandum of understanding" about production cuts, producer stocks have fallen by 141,000 [illegible] per cent. LME stocks also fell in June – the first time in nearly four years that IPAI and LME stocks had fallen in the same month.

Yesterday the LME reported that its stocks had fallen again and Mr Anatoly Shleyev, [illegible] of the [illegible] department [illegible] metallurgy committee, suggested [illegible] country would be able to meet its promised annual production cuts of 500,000 tonnes this year. Nevertheless, [illegible] Russian aluminium exports [illegible] likely [illegible] be 2m tonnes compared with [illegible] year's 1.6m [illegible]. Alu[illegible] for delivery in three months closed [illegible] $1,490.50 a tonne on the LME last night, $5.25 up on the day and $41.75 up over the week.

**Deborah [illegible] and Kenneth Gooding**

**[illegible] WAREHOUSE STOCKS**
[illegible] at Thursday's close)
[illegible]

| | | |
|---|---|---|
| Aluminium | -11,175 | [illegible] |
| Aluminium alloy | -60 | to 28,480 |
| Copper | [illegible] | [illegible] |
| [illegible] | +2,725 | [illegible] |
| [illegible] | +468 | [illegible] |
| [illegible] | +5,800 | to 1,224,400 |
| Tin | +200 | to 31,165 |

### WEEKLY PRICE CHANGES

| | Latest prices | Change on week | [illegible] ago | 1994 High | 1994 Low |
|---|---|---|---|---|---|
| Gold per troy [illegible] | $377.50 | -6.00 | $368.75 | $396.50 | $369.50 |
| Silver per troy oz | [illegible] | [illegible] | 316.50p | 364.50p | 331.50p |
| Aluminium 99.7% (cash) | [illegible] | +41.0 | $1164.5 | [illegible] | $1107.50 |
| Copper Grade A (cash) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Lead (cash) | $557.0 | -22.5 | [illegible] | $592.0 | [illegible] |
| Nickel (cash) | $5700.0 | -375.0 | $4775 | $5490 | $5210.0 |
| Zinc SHG (cash) | $943.5 | +6.0 | $879.5 | $1014 | $900.5 |
| Tin (cash) | $5175.0 | +142.5 | [illegible] | [illegible] | [illegible] |
| Cocoa Futures [illegible] | [illegible] | +33 | £761 | £1124 | [illegible] |
| [illegible] Futures [illegible] | [illegible] | -277 | $1122 | $3628 | [illegible] |
| Sugar (LDP Raw) | [illegible] | -2.4 | $245.7 | [illegible] | [illegible] |
| Barley Futures Nov | [illegible] | +0.35 | [illegible] | £105.50 | [illegible] |
| Wheat Futures Nov | [illegible] | -0.55 | [illegible] | £117.50 | [illegible].60 |
| Cotton Outlook A Index | 77.25c | -0.70 | [illegible] | 87.10c | [illegible] |
| Wool (64s Super) | 442p | [illegible] | [illegible] | 442p | 342p |
| Oil (Brent Blend) | $17.17x | [illegible] | $17.04 | [illegible] | $13.18 |

Per tonne unless otherwise stated. p Pence/kg. c Cents lb. x Oct

## BASE METALS

LONDON METAL EXCHANGE

## Precious Metals continued

## GRAINS AND OIL SEEDS

## SOFTS

## MEAT AND LIVESTOCK

## LONDON TRADED OPTIONS

## ENERGY

## PRECIOUS METALS

## LONDON SPOT MARKETS

Wool
Prices strengthened again this week. Most [illegible] but finer merinos rose more sharply in price, as did merino cardings. Both categories have been selling well from the Australian stockpile recently, and finer merino fleece supplies are expected to remain under pressure this season. Crossbred wool also met with good demand at auctions in Australia and New Zealand this week, with China buying [illegible]. The current trade view is that China [illegible] need supplies for urgent shipment and is [illegible] stocked. Strength in [illegible] Australian dollar has helped to push up calculations of imported wool costs. This does not apply to wool sold by the British Wool Marketing Board but prices have tended higher in this sector also, in anticipation of a dearer auction n[illegible]
The spices report was not [illegible] for [illegible] edition.

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

## INDICES

[illegible] (Base: 18/9/31=100)

| Aug 12 | Aug 11 | month ago | year ago |
|---|---|---|---|
| 2073.1 | 2065[illegible] | [illegible] | [illegible] |

CRB Futures (Base: 1967=100)

| | | | |
|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] |

## WORLD BOND PRICES

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Day's change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| Australia | | [illegible] | 09/04 | 96.2900 | -0.620 | [illegible] | 9.32 | [illegible] |
| Belgium | | [illegible] | [illegible] | [illegible] | -0.560 | [illegible] | [illegible] | 7.81 |
| Canada * | | 6.500 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 8.85 |
| Denmark | | 7.000 | [illegible] | 86.9000 | [illegible] | [illegible] | 8.12 | [illegible] |
| France | STAN | 8.000 | 05/98 | [illegible] | +0.130 | 7.15 | [illegible] | [illegible] |
| | OAT | 5.500 | [illegible] | [illegible] | +0.100 | 7.74 | [illegible] | [illegible] |
| Germany Bund | | [illegible] | [illegible] | [illegible] | -0.110 | [illegible] | 6.86 | 6.78 |
| Italy | | 8.500 | 04/04 | 82.8000 | [illegible] | 11.50† | [illegible] | 10.21 |
| Japan | No 119 | [illegible] | [illegible] | [illegible] | [illegible] | 4.15 | [illegible] | [illegible] |
| | | [illegible] | [illegible] | 96.4460 | - | 4.65 | [illegible] | [illegible] |
| Netherlands | | [illegible] | 01/04 | 90.1000 | [illegible] | [illegible] | 6.91 | 6.80 |
| Spain | | 8.000 | [illegible] | 82.1000 | [illegible] | [illegible] | 10.30 | 10.32 |
| UK Gilts | | 6.000 | 08/99 | 90-08 | - | 8.43 | [illegible] | [illegible] |
| | | 6.750 | 11/04 | 87-11 | +10/32 | 8.62 | 8.40 | [illegible] |
| | | 9.000 | 10/08 | 102-20 | +13/32 | [illegible] | 8.46 | [illegible] |
| US Treasury * | | 7.250 | 05/04 | [illegible] | +16/32 | [illegible] | 7.25 | [illegible] |
| | | 6.250 | 08/23 | 84-15 | +20/32 | 7.58 | 7.52 | 7.64 |
| [illegible] (French Govt) | | 6.000 | 04/04 | 85.1800 | -1.080 | 8.28 | 7.84 | 7.87 |

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal

## US INTEREST RATES

## BOND FUTURES AND OPTIONS

### France

### Germany

### Italy

### Spain

### UK

LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

| Strike Price | Calls Sep | Calls Dec | Puts Sep | Puts Dec |
|---|---|---|---|---|
| 100 | 1-26 | 2-50 | 0-46 | 2-34 |
| 101 | 0-53 | 2-19 | [illegible] | 3-03 |
| 102 | 0-26 | 1-56 | 1-46 | 3-40 |

Est. vol. total, Calls 2430 Puts 5076. Previous day's open int., Calls 73574 Puts 61134

### Ecu

### US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

### Japan

## FT-ACTUARIES FIXED INTEREST INDICES

## FT FIXED INTEREST INDICES

## GILT EDGED ACTIVITY INDICES

## UK GILTS PRICES

### Other Fixed Interest

## ECONOMIC DIARY – FORWARD EVENTS

**TODAY:** National savings results (July).

**TOMORROW:** Edinburgh F[illegible]val begins (until September 3).

**MONDAY:** 48-hour strike by British Rail signal workers starts. US industrial production and capacity utilisation (July). Russia, Turkmenistan, Iran, Turkey and Kazakhstan [illegible] new [illegible] pipeline [illegible] Europe. US House of Representatives due to begin debate on health-care reform. [illegible] bank [illegible] August monthly report. Interim [illegible] from HSBC Holdings.

**TUESDAY:** [illegible] (June). Confederation [illegible] British Industry survey of distributive [illegible] (July). Acquisi[illegible] and mergers within the UK (second quarter). Public [illegible] borrowing requirement (July). VAT registrations and deregistrations ([illegible]). US housing starts and building permits (July). Parliamentary [illegible] in Sri Lanka. Launch of the pensions ombudsman's annual report. [illegible] from Hanson.

**WEDNESDAY:** Spring [illegible] Labour [illegible] survey. Labour market [illegible] unemployment [illegible] unfilled [illegible] (July-provisional); average earnings indices (June-provisional); employment, hours, productivity and unit wage costs; industrial disputes; [illegible] long-term unemployment (quarterly analysis [illegible] unemployment by [illegible] duration (June). Retail prices index (July). Telecom workers in India begin indefinite [illegible] to protest against [illegible] decision to allow private firms into the sector. UN world population report published. Interim [illegible] from BICC Group.

**THURSDAY:** [illegible] (June). Retail sales (July). Motor vehicle production (July). Financial [illegible] (August). Building societies monthly figures (July). Major British banking groups' monthly [illegible] (July). Provisional estimates of [illegible] and counterparts (July). US [illegible] (June); jobless claims. Mr [illegible] president [illegible] South Africa, scheduled to make a key [illegible] Bundesbank [illegible] meeting.

**FRIDAY:** [illegible] of trade with countries outside the European Community (July). US [illegible] (July).

# CURRENCIES AND MONEY

**MARKETS REPORT**

# Lira crumbles

The D-Mark yesterday walked tall on foreign exchanges as investors [illegible] refuge from market volatility by moving into [illegible] German currency, *writes Philip Gawith.*

All leading currencies weakened against the D-Mark, both in Europe and beyond, but the most prominent victim was the [illegible] lira which tumbled [illegible] low of L1,030 [illegible] the D-Mark before recovering slightly to [illegible] in London [illegible] L1,026 from L1,005 [illegible] Thursday.

[illegible] Swedish krona fell to SKr [illegible] the D-Mark before closing at SKr5.008. Both [illegible] heavily punished [illegible] their central banks' decisions [illegible] Thursday [illegible] rates, [illegible] market [illegible] misguided.

Foreign exchange [illegible] were [illegible] their [illegible] for [illegible] number [illegible] weeks, but [illegible] they fell short [illegible] panic selling.

Weaker currencies [illegible] matched by [illegible] firming of interest rates, and a further deterioration of sentiment in futures markets. Portugal was the only country [illegible] lift its interest rates, [illegible] the repo rate on seven-day funds rising to 11.08 per cent from 10.5 per cent.

The release of weaker than expected July consumer price [illegible] helped US bonds, and hence the dollar, which closed at Y99.99, off an earlier low of [illegible], but [illegible] Thursday's [illegible] Y101.115. [illegible] it finished [illegible] DM1.5557 from DM1.5872.

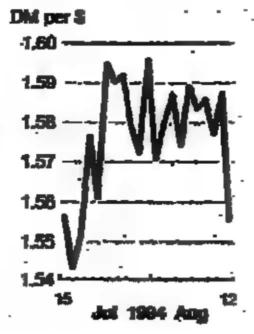
[illegible] was also [illegible] of D-Mark [illegible] falling [illegible] DM2.40 [illegible] recovering [illegible]. Against [illegible] it finished [illegible] $1.5467.

■ **Pound in New York**

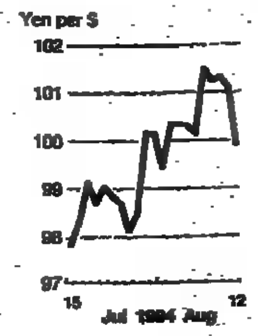
| Aug [illegible] | — Latest — | — [illegible] — |
|---|---|---|
| £ spot | 1.5445 | [illegible] |
| 1 mth | 1.5438 | [illegible] |
| 3 mth | 1.5418 | [illegible] |
| 1 yr | 1.5301 | [illegible] |

**Dollar**

DM per $

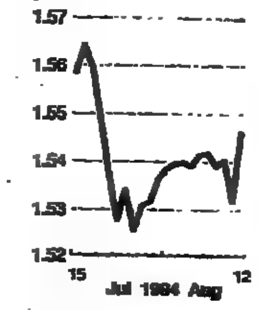


Yen per $

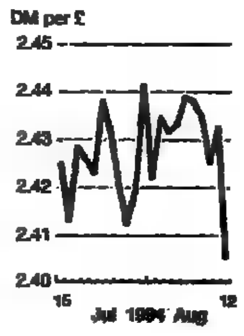


**Sterling**

$ per £

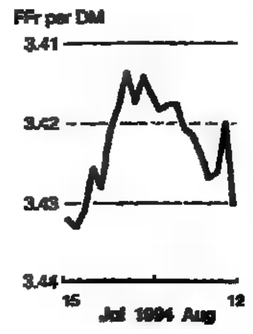


DM per £



**French franc**

FFr per DM



Source: FT Graphite

■ Traders downplayed comparisons with the ERM crisis of 1992 and also said the actions of Italy and Sweden should not be mistaken as a signal of immediate rate rises across Europe.

Apart from the particularly severe fiscal problems of both countries, many observers also felt, especially in [illegible] of Italy, that the rate rise might testify to [illegible] struggle between the central bank and the politi[illegible].

Mr Akis Karayiannis, head of foreign exchange [illegible] Brothers in London, said the economic backdrop now was very different from that which caused the ERM crises.

Markets then found government promises, to raise interest rates against the backdrop of economies mired in recession, lacking in credibility. But with economies growing again, higher rates are to be expected, even if the timing might be unexpected.

Mr Karayiannis said he also doubted whether clients had the level of exposure to European bonds and currencies [illegible] would produce the sort of selling pressure seen in earlier cri[illegible].

■ [illegible] stayed unchanged in Europe, with the exception [illegible] Portugal, [illegible] firmed. In Germany, for example, three, [illegible] amid fears of an end to Bundesbank rate cuts.

The Bank of England in its daily operations provided UK money markets with £323m at established rates after forecasting a £300m shortage.

Futures [illegible] ground, with [illegible] December [illegible] sterling contract trading [illegible] to close at 93.23 – off a low of 93.17, but well [illegible] on Thursday's [illegible].

The [illegible] euromark [illegible] finished [illegible] 94.80 from 94.85.

■ **OTHER CURRENCIES**

| Aug 12 | £ | $ |
|---|---|---|
| Hungary | [illegible] | [illegible] |
| [illegible] | 2888.00 - 2888.00 | 1748.00 - 1750.00 |
| [illegible] | [illegible] | 0.2978 - 0.2986 |
| Poland | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] |
| U.A.E. | [illegible] | [illegible] |

## POUND SPOT FORWARD AGAINST THE POUND

| Aug [illegible] | | Closing mid-point | Change on day | Bid/offer spread | Day's Mid high | low | One month Rate | %PA | Three months Rate | %PA | One year Rate | %PA | Bank of Eng. Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | [illegible] | [illegible] | -0.1881 | 253 - 366 | 17.2988 | 16.8757 | 16.9276 | 0.3 | 16.9158 | 0.4 | - | - | 115.8 |
| Belgium | [illegible] | 49.6073 | -0.509 | 714 - 431 | 50.3250 | 49.5000 | 49.5973 | 0.2 | 49.5723 | 0.3 | 49.7123 | -0.2 | 117.0 |
| Denmark | [illegible] | [illegible] | [illegible] | 411 - 473 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | -0.7 | 116.7 |
| Finland | (FM) | [illegible] | -0.0303 | 964 - 145 | [illegible] | [illegible] | - | - | - | - | - | - | [illegible] |
| France | (FFr) | 8.2560 | -0.0747 | 531 - 589 | 8.3019 | 8.2366 | 8.2582 | -0.5 | 8.2583 | -0.1 | [illegible] | [illegible] | [illegible] |
| Germany | (DM) | [illegible] | [illegible] | 051 - 070 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 1.3 | [illegible] |
| Greece | (Dr) | [illegible] | [illegible] | 392 - 914 | 368.055 | 363.283 | - | - | - | - | - | - | [illegible] |
| Ireland | (I£) | [illegible] | +0.0021 | 152 - 168 | 1.0213 | 1.0059 | 1.016 | -0.1 | 1.0161 | -0.1 | [illegible] | -0.1 | [illegible] |
| Italy | (L) | 2468.33 | +23.06 | 636 - 029 | 2478.52 | 2444.10 | 2476.23 | -4.8 | 2495.58 | -4.3 | [illegible] | [illegible] | [illegible] |
| Luxembourg | [illegible] | [illegible] | -0.509 | 714 - 431 | 50.3250 | 49.5000 | 49.5973 | 0.2 | 49.5723 | [illegible] | [illegible] | [illegible] | 117.0 |
| [illegible] | (Fl) | [illegible] | -0.0309 | 016 - 040 | 2.7148 | 2.6957 | 2.7031 | [illegible] | 2.699 | [illegible] | [illegible] | 1.3 | 121.0 |
| Norway | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 0.1 | [illegible] |
| Portugal | [illegible] | [illegible] | [illegible] | [illegible] | 247.742 | 244.559 | [illegible] | -8.4 | [illegible] | -7.9 | - | - | - |
| Spain | [illegible] | [illegible] | +0.235 | 600 - 097 | 201.408 | 192.704 | 201.484 | -3.2 | 202.244 | -2.6 | 204.729 | -1.9 | [illegible] |
| Sweden | [illegible] | 12.0451 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | -2.1 | 12.1171 | -2.4 | [illegible] | [illegible] | 73.1 |
| [illegible] | (SFr) | 2.0204 | [illegible] | 196 - 212 | [illegible] | 2.0112 | [illegible] | 0.9 | [illegible] | 1.2 | [illegible] | 1.9 | 122.1 |
| UK | [illegible] | - | - | - | - | - | - | - | - | - | - | - | [illegible] |
| Ecu | - | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 1.2867 | [illegible] | [illegible] | [illegible] | [illegible] | -0.1 | - |
| SDR† | - | 0.940085 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | [illegible] | [illegible] | [illegible] | 449 - 485 | [illegible] | [illegible] | - | - | - | - | - | - | - |
| Brazil | (R) | [illegible] | [illegible] | 010 - 048 | 1.4065 | [illegible] | - | - | - | - | - | - | - |
| Canada | (C$) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | -1.5 | [illegible] | [illegible] | [illegible] | -0.8 | [illegible] |
| Mexico | (New Peso) | 5.2532 | +0.0441 | 500 - 564 | 5.2646 | 5.2462 | - | - | - | - | - | - | - |
| USA | ($) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 0.7 | [illegible] | [illegible] | [illegible] |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 0.0 | [illegible] | [illegible] | [illegible] | [illegible] | - |
| Hong Kong | (HK$) | [illegible] | +0.11 | 504 - 555 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 11.9851 | 0.0 | - |
| India | (Rs) | [illegible] | [illegible] | 087 - 340 | 48.6770 | 48.4590 | - | - | - | - | - | - | - |
| Japan | (Y) | [illegible] | [illegible] | [illegible] | 155.310 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Malaysia | (M$) | 3.9536 | +0.0274 | 521 - 550 | 3.9727 | 3.9456 | - | - | - | - | - | - | - |
| New Zealand | [illegible] | 2.5745 | [illegible] | 722 - 773 | [illegible] | [illegible] | [illegible] | -1.8 | [illegible] | -1.8 | [illegible] | -1.3 | - |
| [illegible] | (Peso) | 40.5997 | +0.4032 | 064 - 929 | 40.9929 | 39.8424 | - | - | - | - | - | - | - |
| Saudi Arabia | [illegible] | 5.8005 | [illegible] | [illegible] | 5.8192 | [illegible] | - | - | - | - | - | - | - |
| Singapore | (S$) | 2.3285 | [illegible] | 273 - 298 | [illegible] | [illegible] | - | - | - | - | - | - | - |
| S Africa (Com.) | (R) | [illegible] | [illegible] | 477 - 518 | [illegible] | 5.5332 | - | - | - | - | - | - | - |
| S Africa (Fin.) | (R) | 7.0083 | -0.1164 | 897 - 229 | [illegible] | [illegible] | - | - | - | - | - | - | - |
| South Korea | [illegible] | [illegible] | +10.13 | [illegible] | [illegible] | 1244.87 | - | - | - | - | - | - | - |
| Taiwan | (T$) | [illegible] | +0.3517 | 064 - 310 | 41.0466 | 40.8661 | - | - | - | - | - | - | - |
| Thailand | (Bt) | [illegible] | +0.2835 | 677 - 112 | 38.7990 | 38.6480 | - | - | - | - | - | - | - |

†SDR rate for Aug 11. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest [illegible]. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived [illegible] WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

| Aug 12 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | low | One month Rate | %PA | Three months Rate | %PA | One year Rate | %PA | J.P. Morgan Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | [illegible] | 10.9475 | -0.222 | 450 - 500 | 10.9975 | 10.8960 | 10.9477 | 0.0 | 10.9475 | 0.0 | [illegible] | 0.8 | [illegible] |
| [illegible] | (BFr) | 32.0740 | -0.623 | 560 - 920 | 32.6200 | 31.9540 | 32.099 | -0.9 | 32.154 | -1.0 | 32.322 | [illegible] | [illegible] |
| [illegible] | (DKr) | [illegible] | [illegible] | [illegible] - 719 | 6.2088 | 6.1498 | 6.1784 | -1.5 | 6.1934 | -1.5 | [illegible] | -1.1 | [illegible] |
| Finland | (FM) | 5.1780 | -0.0867 | 710 - 810 | 5.1865 | 5.1389 | 5.18 | -0.9 | 5.188 | [illegible] | 5.3027 | -1.1 | [illegible] |
| France | (FFr) | [illegible] | -0.0971 | 370 - 390 | 5.3840 | 5.3172 | 5.343 | -1.1 | 5.35 | -0.9 | 5.4056 | [illegible] | [illegible] |
| [illegible] | (D) | [illegible] | [illegible] | [illegible] | 1.5834 | 1.5485 | 1.5563 | -0.4 | 1.5585 | [illegible] | [illegible] | 0.4 | [illegible] |
| [illegible] | (Dr) | 235.750 | -4.25 | 600 - 900 | 237.800 | 234.850 | 236.14 | -2.0 | 236.925 | [illegible] | 244.5 | -1.9 | [illegible] |
| [illegible] | [illegible] | [illegible] | +0.0108 | 217 - [illegible] | 1.5385 | 1.5157 | 1.5213 | 0.9 | 1.5191 | [illegible] | [illegible] | 0.9 | - |
| [illegible] | (L) | [illegible] | [illegible] | [illegible] | 1699.80 | 1580.50 | 1603.87 | -5.5 | 1616.52 | -6.0 | [illegible] | [illegible] | [illegible] |
| Luxembourg | (LFr) | 32.0740 | [illegible] | [illegible] | 32.5200 | 31.9540 | 32.099 | -0.9 | 32.154 | -1.0 | [illegible] | -0.7 | [illegible] |
| [illegible] | (Fl) | 1.7475 | [illegible] | [illegible] | 1.7560 | 1.7393 | 1.7481 | -0.4 | 1.7489 | [illegible] | 1.7773 | [illegible] | [illegible] |
| [illegible] | (NKr) | [illegible] | [illegible] | [illegible] - 455 | 6.8735 | 6.8175 | 6.8485 | -0.7 | 6.8575 | -0.8 | 6.9113 | [illegible] | [illegible] |
| Portugal | (Es) | [illegible] | -1.55 | [illegible] | [illegible] | 157.950 | [illegible] | -8.1 | [illegible] | -7.1 | 170.65 | -5.7 | [illegible] |
| [illegible] | (Pta) | [illegible] | -1.026 | 950 - 000 | 130.190 | 129.050 | 130.34 | -3.6 | [illegible] | -3.3 | 134.805 | [illegible] | [illegible] |
| [illegible] | [illegible] | 7.7879 | -0.0976 | 841 - 916 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | -2.6 | 8.0905 | [illegible] | [illegible] |
| [illegible] | (SFr) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 1.306 | 0.3 | [illegible] | [illegible] | [illegible] | 1.0 | [illegible] |
| UK | (£) | 1.5467 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | - | 1.2221 | +0.02 | [illegible] | [illegible] | [illegible] | [illegible] | 1.6 | 1.2181 | [illegible] | [illegible] | [illegible] | - |
| SDR† | - | [illegible] | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| [illegible] | (Peso) | 0.9991 | [illegible] | [illegible] | 0.9991 | [illegible] | - | - | - | - | - | - | - |
| Brazil | (R) | 0.9070 | +0.0105 | 060 - 080 | 0.9080 | [illegible] | - | - | - | - | - | - | - |
| [illegible] | (C$) | 1.3813 | [illegible] | 810 - 815 | [illegible] | [illegible] | [illegible] | -0.9 | [illegible] | -1.0 | [illegible] | -1.5 | [illegible] |
| Mexico | (New Peso) | 3.3965 | -0.002 | 950 - 980 | 3.3980 | 3.3950 | 3.3975 | -0.4 | 3.3993 | -0.3 | 3.4087 | -0.3 | - |
| USA | ($) | - | - | - | - | - | - | - | - | - | - | - | [illegible] |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| [illegible] | (A$) | 1.3477 | [illegible] | 473 - 481 | [illegible] | 1.3421 | [illegible] | -0.2 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Hong Kong | (HK$) | 7.7284 | +0.0017 | [illegible] | 7.7290 | 7.7283 | 7.7282 | 0.0 | [illegible] | 0.0 | [illegible] | -0.2 | - |
| [illegible] | (Rs) | 31.3713 | +0.0038 | 675 - 750 | 31.3875 | 31.3675 | [illegible] | -3.3 | [illegible] | -2.9 | - | - | - |
| [illegible] | (Y) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 99.77 | [illegible] | [illegible] | 2.7 | [illegible] | [illegible] | 148.5 |
| Malaysia | (M$) | 2.5582 | -0.0053 | 557 - 567 | 2.5680 | 2.5530 | [illegible] | [illegible] | [illegible] | 3.2 | 2.6092 | -2.1 | - |
| New Zealand | (NZ$) | 1.6847 | -0.0013 | 833 - 861 | [illegible] | 1.6817 | 1.6856 | -0.7 | [illegible] | -0.7 | 1.6728 | -0.5 | - |
| [illegible] | (Peso) | 26.2500 | +0.025 | 000 - 000 | 26.6000 | 26.0000 | - | - | - | - | - | - | - |
| [illegible] | (SR) | [illegible] | - | 502 - 505 | [illegible] | [illegible] | 3.7517 | -0.4 | [illegible] | -0.6 | [illegible] | [illegible] | - |
| [illegible] | (S$) | 1.5055 | -0.001 | [illegible] | 1.5080 | 1.5040 | 1.5042 | 1.1 | [illegible] | 0.9 | [illegible] | [illegible] | - |
| S Africa (Com.) | (R) | 3.5863 | -0.023 | 875 - 890 | [illegible] | [illegible] | 3.6038 | -6.2 | [illegible] | -4.9 | [illegible] | -3.4 | - |
| S Africa (Fin.) | (R) | [illegible] | -0.117 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | -8.2 | - | - | - |
| South Korea | [illegible] | 805.800 | -0.7 | 600 - 000 | 806.000 | [illegible] | [illegible] | -4.5 | [illegible] | -3.2 | [illegible] | -3.1 | - |
| Taiwan | (T$) | 26.4580 | -0.0105 | 520 - 600 | 26.4600 | 26.4300 | 26.475 | [illegible] | [illegible] | [illegible] | - | - | - |
| Thailand | (Bt) | 25.0150 | -0.055 | 050 - 250 | 25.0250 | 25.0100 | 25.0875 | -3.5 | 25.215 | -3.2 | 25.695 | -2.7 | - |

†SDR rate for Aug 11. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 11. Base average 1990=100

## CROSS RATES AND DERIVATIVES

### EXCHANGE CROSS RATES

Aug 12

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

### EMS EUROPEAN CURRENCY UNIT RATES

■ D-MARK FUTURES (IMM) DM 125,000 per DM

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

■ STERLING FUTURES (IMM) £62,500 per £

■ PHILADELPHIA SE £/$ OPTIONS £31,250

## WORLD INTEREST RATES

### MONEY RATES

■ $ LIBOR FT London Interbank Fixing

### EURO CURRENCY INTEREST RATES

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

■ THREE MONTH EURODOLLAR (LIFFE) $1m points of 100%

■ THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100%

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

## UK INTEREST RATES

### LONDON MONEY RATES

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

## BASE LENDING RATES

# MONEY MARKET FUNDS

## Money Market Trust Funds

## Money Market Bank Accounts

# LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate [illegible] those securities not included in the FT Share Information [illegible]

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to [illegible] pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ф Bargains done the previous day.

## British Funds, etc

[illegible] 13¾% Stk 2000/03 - [illegible]

## Corporation and County [illegible]

Birmingham District Council 11½% Red Stk 2012 - £118½ (5Au94)

Bristol(City of) 11½% Red Stk 2008 - £115½

Dudley Metropolitan Borough Council7% Ln Stk 2019 (Reg)(F/P) - £80 [illegible]

Nationwide Building Society [illegible] Nts 2018 (Br £ Var) - £87.7 [illegible]

Nationwide [illegible] Zero Cpn [illegible] 1998 (Br £ Var) - £70¼ [illegible]

Nippon Telegraph and Telephone Corp5½% Nts 1997 (Br $C1000&10000) - $C100⅝ 101⅛ (9Au94)

Norsk Hydro AS 9¼% Nts 2003 (Br £1000&10000) - £100½ (8Au94)

Northern Rock Building Society 10⅜% Subord Bds 2018 (Br £ Var) - £102.3805 (10Au94)

Northumbrian Water Group PLC 9¼% Bds 2002 (Br £ Var) - £100⅛ (8Au94)

## UK Public Boards

## Foreign Stocks, Bonds, etc- (coupons payable in London)

## Sterling Issues by Overseas Borrowers

## Listed Companies(excluding Investment Trusts)

Lonrho [illegible] PLC 6% Gtd Cnv Bds 2004(Br£Vars) - £87½ (5Au94)

MEPC PLC 10¼% Bds 2003(Br£1000&10000) - £101½

Microtek International Inc 3.5% Bds 2001(Br$10000) - $115½ (8Au94)

Municipality Finance Ltd 9½% Gtd Nts 1997 (Br £Var) - £103.15 (8Au94)

National Grid Co PLC 7⅛% Bds 1998 (Br £ Var) - £96⅞

National & Provincial Bldg Society 8¼% Nts 1998 (Br £ Var) - [illegible] (8Au94)

National Westminster Bank PLC 11½% Und-SubNts £1000(Cnv to Prf)Reg - £106¼

GtdCnvSubordBds2008 RegMult£1000 - £110¼

Allied-Lyons Financial Services PLC6¾% Gtd Cnv Subord Bds 2008(Br £ Var) - £110⅛ (9Au94)

Alvis PLC 5.5% Cnv Cum Non-Vtg Red Prf £1 - 75

American Brands Inc Shs of Com [illegible] - $34.55

Ameritech Corp Shs of Com Stk $1 - £25⅛

Andrews Sykes Group PLC Cnv Prf 50p - 48 (9Au94)

[illegible] PLC 5¼% [illegible] - £132⅛

## Investment Trusts

## USM Appendix

## Rule 4.2(a)

Kleinwort Benson(Int) Fund Man Int Equity Gwth Inc - £2.778 2.91593 2.915931 2.944238 2.94424 (8Au94)

Labyrinth Group PLC Ord 10p - 20½ (10Au94)

Lachmead Group PLC Ord 5p - 20.38 0.4 (10Au94)

## RULE 2.1 (a)(iv)

**Bargains marked in securities (not falling within Rule 2.1 (a)(i)) where the principal market is outside the UK and Republic of Ireland.**

Singapore Land S$7.395(8.8)

Valiant Cons A$0.474(10.8)

Walhalla Mining 7(11.8)

Wallace Computer Srvs $32(5.8)

Xtra Corp $46¾(11.8)

*By Permission of the Stock Exchange Council*

## FT-SE ACTUARIES INDICES

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 Indices and the FT-SE Actuaries Industry Baskets are calculated by The International Stock Exchange of the United Kingdom and Republic of Ireland Limited. [illegible] The International Stock Exchange of the United Kingdom and Republic [illegible] Ireland [illegible] All rights [illegible]

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# LONDON STOCK EXCHANGE

MARKET REPORT

## Good rally after favourable US consumer data

By Terry Byland,
UK Stock Market Editor

The UK stock market [illegible] a highly successful recovery yesterday afternoon as a rally in bond prices followed the announcement [illegible] satisfactory US consumer price statistics. Early trading saw the London market down by more than 27 points on the FT-SE 100 Index but there was little sign of the selling pressure feared in the wake of Thursday's interest rate rises in Europe.

At the close, the FT-SE 100 Index was 4.1 up on the day at 3,142.3. The recapture of the Footsie 3,140 mark was acclaimed by some equity chartists who now see the market in [illegible] territory than seemed likely at the close of the previous [illegible]. In very [illegible] trading, the September futures contract on the FT-SE 100 Index reached 3,166, breaking above another important support level. The Footsie had touched 3,110.7 yesterday morning, kindling fears that 3,100 might be challenged.

The initial setback was influenced in part by awareness that a heavy seller of stock index futures at Thursday's [illegible] was still in the wings. British government bonds were also weak during the first half [illegible] the [illegible]. Equity market-making firms were inclined to mark share prices lower while waiting to see what the leading strategists would make of the rate rises in Italy and Sweden.

Kleinwort Benson Securities commented that "tightening jitters (on the turn in interest rates) will affect the Continent more than the UK". Ratings [illegible] UK equities [illegible] be less demanding than in the other leading European [illegible]. Many analysts stressed the benefits for UK shares of the rapid growth in corporate earnings now flowing through.

Such views were buttressed [illegible] terday by unexpectedly good trading figures for the second quarter from Unilever, the food [illegible] detergents group. However, most strategists agreed that the "interest rate cycle is now turning in Europe".

The recovery spread across the full range of the stock market, leaving the FT-SE Mid 250 Index with a gain of 2.2 at 3,728.8. Trading volume, [illegible] measured by the Exchange's Seaq electronic network, remained high, with 640.3m [illegible] traded compared with 694.4m on Thursday when retail or genuine investment business of £1.36m remained within the range of recent daily [illegible]. Good trading volume has continued to underpin the stock market.

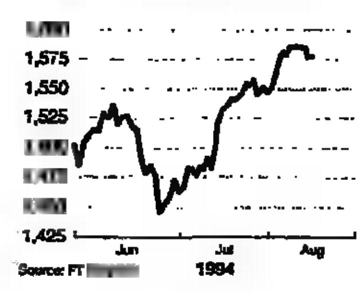
Interest-related stocks suffered, at worst, only minor falls and some moved higher. The blue-chip internationals were restrained by weakness in the US dollar but steadied before the [illegible] as the currency steadied, with the oil stocks firm.

The regional electricity [illegible] continued to forge ahead, extending [illegible] which followed the announcement on Thursday of what [illegible] been seen [illegible] an extremely favourable price review – from the point of view of the companies. The Footsie Index was boosted by the strong gain in shares of Unilever, and also in Reckitt & Colman which rose in sympathy.

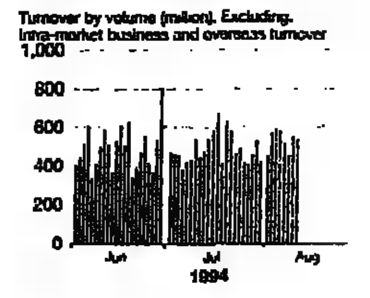
The Footsie [illegible] has [illegible] over the week, with virtually all the loss coming in the wake of the rate increases in Sweden and Italy. The focus has now turned to next Tuesday's meeting of the US Federal Open Market Committee. The rise of only 0.3 per cent in US July consumer price index announced yesterday appeared to leave open the question [illegible] whether inflationary pressures are sufficient to alarm the US authorities and cause them to tighten credit policies again.

Short-dated UK gilts, which [illegible] the most closely linked to base rate expectations, closed some $\frac{1}{32}$ lower but had [illegible] off. Longer dates, encour[illegible] by the US bond market, recov[illegible]ered more strongly and closed a shade higher on the day – regarded [illegible] mean achievement against [illegible] uncertain background [illegible] interest rates.

### FT-SE-A All-Share Index




### Equity Shares Traded




### ■ Key Indicators

| Indices and [illegible] | | |
|---|---|---|
| FT-SE Mid 250 | 3728.8 | +2.2 |
| FT-SE-A 350 | 1589.7 | +1.8 |
| FT-SE-A All-Share | 1577.78 | +1.74 |
| FT-SE-A All-Share yield | 3.78 | [illegible] |
| FT Ordinary index | 2469.2 | +8.7 |
| FT-SE-A Non Fins p/e | 19.89 | (19.86) |
| FT-SE 100 Fut Sep | 3159.0 | +13.0 |
| 10 yr Gilt yield | 8.75 | [illegible] |
| Long gilt/equity yld ratio: | 2.33 | [illegible] |

| FT-SE 100 Index | |
|---|---|
| Closing index for Aug 12 | 3142.3 |
| Change over week | -25.2 |
| Aug 11 | 3138.2 |
| Aug 10 | 3167.0 |
| Aug 9 | 3168.6 |
| Aug 8 | 3171.9 |
| High* | 3184.0 |
| Low* | 3110.7 |

*Intra-day high and low for week

## TRADING VOLUME

■ Major Stocks Yesterday

| | Vol. 000s | Closing price | Day's change | | Vol. 000s | Closing price | Day's change |
|---|---|---|---|---|---|---|---|
| ABDA Group† | 11,000 | 62½ | +½ | Lonrho | 1,300 | 134½ | +½ |
| Abbey National† | 1,900 | 389 | +5 | Lucas | 1,200 | 204 | [illegible] |
| Albert Fisher | 361 | 51 | -1 | MEPC† | 59 | 458 | -3 |
| Allied-Lyons† | 2,000 | [illegible] | [illegible] | MFI | 10,000 | 153 | |
| Anglian Water | 1,400 | [illegible] | [illegible] | Manweb | 840 | 785 | +32 |
| Argos | 825 | 374 | +4 | Marks & Spencer† | [illegible] | 430 | -1 |
| Argyll Group† | 6,800 | 274 | -5 | Midlands Elect. | 3,000 | [illegible] | +25½ |
| Arjo Wiggins† | 257 | 252 | -3 | Morrison (Wm.) | 115 | [illegible] | +1 |
| Assoc. Brit. Foods† | 33 | [illegible] | +2 | NFC† | 1,200 | 209 | |
| Assoc. Brit. Ports | 692 | [illegible] | +3 | NatWest Bank† | [illegible] | 460 | +1 |
| BAA† | 843 | 497 | +2 | National Power† | [illegible] | 475 | -2 |
| BAT Inds.† | 4,200 | [illegible] | +5 | Next | 417 | 258 | |
| BET | 1,200 | [illegible] | +2½ | North West Water† | 781 | 531 | +9 |
| BICC | 879 | 418 | -1 | Northern Elect. | [illegible] | 754 | +15 |
| BOC† | 1,500 | 725 | +11 | Northern Foods† | [illegible] | 229 | +3 |
| BP† | 8,100 | 410 | +1½ | Norweb | 545 | [illegible] | +20½ |
| BPB Inds. | 1,100 | 325 | +4 | Pearson† | 1,800 | [illegible] | -12 |
| BT† | 9,200 | 375½ | -1 | P & O† | 1,800 | 594 | +4 |
| BT (P/Paid) | 11,000 | 255½ | -1½ | Pilkington | 537 | [illegible] | |
| BTR† | 5,400 | 377 | -3 | PowerGen† | 1,700 | [illegible] | -4 |
| Bank of [illegible] | 1,100 | [illegible] | -1 | Prudential† | 4,600 | [illegible] | |
| Barclays† | 4,000 | [illegible] | -1½ | RMC† | 583 | [illegible] | -4 |
| Bass† | 1,300 | [illegible] | +7 | RTZ† | 2,800 | 871 | +1 |
| Blue Circle† | 1,100 | 312 | -3 | Racal | 1,600 | 244 | -1 |
| Booker | [illegible] | 441 | +7 | Rank Org.† | 3,200 | 399 | +8 |
| Boots† | [illegible] | 532 | +7 | Reckitt & Colman† | 1,100 | [illegible] | +22 |
| Bowater† | [illegible] | 451 | -2 | Redland† | 1,000 | [illegible] | -1 |
| [illegible] | 4,400 | [illegible] | -14 | Reed Intl.† | 3,500 | [illegible] | -1 |
| British Airways† | 3,900 | [illegible] | -½ | Rentokil† | 746 | [illegible] | +8 |
| British Gas† | 4,800 | 289 | +2 | Reuters† | 2,100 | [illegible] | -1 |
| British Land | 81 | 419 | -1 | Rolls Royce† | 3,100 | [illegible] | -2½ |
| British Steel† | 7,800 | 160½ | -1½ | Ryl Bk Scotland† | 2,400 | 395 | +5 |
| Bunzl | 1,300 | 167 | +1 | Royal Insurance† | 8,100 | 279 | +14 |
| Burmah Castrol† | 127 | 873 | | Sainsbury† | 1,500 | 420 | +3 |
| Burton | 3,100 | 59½ | | Schroders | 5 | 1318 | |
| Cable & Wire† | 3,700 | 432 | -3 | Scottish & New.† | 1,300 | 527 | +8 |
| Cadbury Schweppes† | 1,800 | 467 | +5 | Scot. Hydro-Elect. | [illegible] | 379 | -5 |
| Calor Group | 85 | 290 | | Scottish Power† | [illegible] | 392 | -10 |
| Caradon† | [illegible] | 295 | | [illegible] | 3,800 | [illegible] | +½ |
| Carlton Comms.† | 1,400 | 855 | -13 | Sedgwick | 1,400 | 173 | +1 |
| Coats Viyella† | 1,400 | 225 | +5 | Seeboard | 4,900 | 414 | +16 |
| Comm. Union† | 529 | 552 | -4 | Severn Trent† | 538 | 547 | +8 |
| Cookson | 1,100 | 263 | | Shell Transport† | 3,000 | 720 | +2 |
| Courtaulds† | 2,300 | [illegible] | [illegible] | Siebe† | 2,000 | 603 | -9 |
| Dalgety | 264 | 458 | -4 | Slough Ests | 176 | 258 | -1 |
| De La Rue† | 109 | 933 | -5 | Smith (W.H.) | 225 | 488 | -2 |
| Dixons | 473 | 202 | +1 | Smith & Nephew† | 849 | 154 | -½ |
| Eastern Elect. | 4,300 | 763 | +24 | SmKl Beecham† | 2,800 | 431 | +2 |
| East Midland Elect. | 2,300 | [illegible] | +15 | SmKl Beecham Uts.† | 880 | 365 | |
| Eng China Clays | [illegible] | 365 | -5 | Smiths Inds. | 650 | 479 | [illegible] |
| Enterprise Oil† | 258 | [illegible] | -5 | Southern Elect.† | 2,700 | 740 | +26 |
| Eurotunnel Units | 1,000 | [illegible] | -6 | South Wales Elect. | 1,000 | 746 | +24 |
| [illegible] | 697 | 164 | [illegible] | South West Water | 248 | 515 | +2 |
| [illegible] | 1,200 | 145 | | South West. Elect. | 1,400 | 739 | +25 |
| Foreign & Col. I.T. | 696 | 143 | | [illegible] | [illegible] | 572 | -4 |
| Forte† | 5,800 | 235½ | +1½ | Standard Chartd.† | [illegible] | 247 | |
| Gen. Accident† | 909 | [illegible] | -9 | Storehouse | 951 | 220 | -2 |
| General Elect.† | 2,900 | [illegible] | -3½ | Sun Alliance† | 1,700 | 317 | -3 |
| Glaxo† | 3,300 | 623 | -1 | T&N | 629 | 262 | -1 |
| [illegible] | 601 | 366 | -2 | TI Group† | 656 | 387 | -6 |
| [illegible] | [illegible] | 521 | -3 | TSB† | 5,600 | 210½ | +½ |
| Grand Met.† | 4,400 | 434 | +5 | Tarmac | 2,900 | 129 | -3 |
| GUS† | 910 | 561 | -5 | Tate & Lyle | 671 | 449 | +5 |
| GRE† | [illegible] | [illegible] | -5 | Taylor Woodrow | 734 | 136½ | [illegible] |
| GKN† | [illegible] | 639 | -1 | Tesco† | 3,800 | 243½ | -1 |
| Guinness† | [illegible] | 455 | +8 | Thames Water† | 677 | 507½ | +8½ |
| [illegible] | [illegible] | 758 | -5 | Thorn EMI† | [illegible] | 1030 | -5 |
| [illegible] | 159 | 344 | -2 | Tomkins† | [illegible] | 236 | -1 |
| Hanson† | [illegible] | [illegible] | -1½ | Trafalgar House | 3,100 | 84 | +2 |
| Harrisons Crosfield | [illegible] | [illegible] | | Unigate | 1,000 | 392 | -3 |
| Hays | 565 | 301 | +5 | Unilever† | [illegible] | 1097 | +55 |
| Hillsdown | [illegible] | [illegible] | | United Biscuits† | [illegible] | 339 | +9 |
| IMI | [illegible] | 335 | [illegible] | Utd. Newspapers | [illegible] | 508 | |
| ICI† | [illegible] | 845 | [illegible] | Vodafone† | [illegible] | 197 | -½ |
| Inchcape† | [illegible] | 430 | +4 | Warburg (SG)† | 2,100 | 745 | -4 |
| Johnson Matthey | 376 | 570 | -5 | Wellcome† | [illegible] | 670 | [illegible] |
| Kingfisher† | 937 | 517 | -5 | Welsh Water | [illegible] | 640 | |
| Kwik Save | 676 | 607 | [illegible] | Wessex Water | [illegible] | 627 | |
| Ladbroke† | 1,000 | 171 | [illegible] | Whitbread† | 1,800 | 552 | +6 |
| Land Securities† | 599 | 660 | [illegible] | Williams Hldgs.† | 1,800 | 370 | -1 |
| Laporte | 221 | 805 | | Willis Corroon | 1,700 | 159 | -½ |
| Legal & General† | [illegible] | 452 | -2 | Wimpey | 95 | [illegible] | -1 |
| Lloyds Abbey | 219 | 301 | -2 | Wolseley† | 249 | 816 | -3 |
| Lloyds Bank† | 2,000 | 548 | -2 | Yorkshire Elect. | [illegible] | 689 | +8 |
| LASMO | 375 | 155½ | -1½ | Yorkshire Water | [illegible] | 536½ | -1½ |
| London Elect. | 4,000 | 663 | +15 | Zeneca† | [illegible] | 825 | +13 |

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. †Indicates an FT-SE 100 Index constituent.

## EQUITY FUTURES AND OPTIONS TRADING

A squeeze in stock index futures sent the near-month contract sharply ahead which helped lead the [illegible] market higher, *writes Joel Kibazo.*

The September contract on the FT-SE 100 started trading at 3,136 and during the session saw a low of 3,112 and a high of 3,169 [illegible] settling at 3,159 by the close.

In traded options, total volume was 36,099 of which 15,048 was dealt in the FT-SE 100 option and 3,268 in the Euro FT-SE option. Amstrad was the busiest stock option with a total of 3,268 contracts. Royal Insurance and Asda Group were also busy.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

| | [illegible] | Sett price | [illegible] | High | [illegible] | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Dec | 31[illegible] | [illegible] | 13.0 | [illegible] | 3133.0 | [illegible] | 4108 |
| Mar | - | [illegible] | 13.0 | - | - | [illegible] | 0 |

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Sep | 3730.0 | [illegible] | - | [illegible] | 3730.0 | 25 | 4485 |

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

| | | |
|---|---|---|
| Sep | 3,725.0 | [illegible] |

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3142) £10 per full index point

| | [illegible] C | P | 3000 C | P | 3050 C | P | 3100 C | P | 3150 C | P | 3200 C | P | 3250 C | P | 3300 C | P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Aug | 204 | 1 | 154 | 1½ | [illegible] | 3 | 62 | 9½ | 28½ | 25½ | 9½ | 57½ | 2½ | 107½ | 1 | 157½ |
| [illegible] | 219 | 11 | 175½ | 17½ | 134½ | [illegible] | 98½ | 40½ | 68½ | [illegible] | [illegible] | 86 | 25½ | 119½ | 13½ | 160½ |
| Oct | 231 | 29½ | 190½ | [illegible] | 154½ | 40 | 122 | [illegible] | [illegible] | 86 | 70 | 114½ | 49½ | 144½ | 35½ | 181 |
| Nov | 248½ | 36 | 212½ | [illegible] | 176 | 62½ | 144½ | [illegible] | 118½ | 101½ | 91 | 127½ | 70 | 157 | 52 | 190 |
| Dec† | | | 228½ | 60½ | | | 164 | 94 | | | 109 | 141 | | | 87½ | 200½ |

Calls 2,271 Puts 12,331

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

| | 2975 | 3025 | 3075 | 3125 | 3175 | 3225 | [illegible] | 3325 |
|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Calls 335 Puts [illegible] * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

| | | |
|---|---|---|
| Apr | [illegible] | [illegible] |

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

## FT-SE-A INDICES - LEADERS & LAGGARDS

Percentage changes since [illegible] 31 [illegible] based on Friday August [illegible]

| | | | | | |
|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## Guinness defies sale talk

Busy [illegible] in [illegible] excited speculation that one of the group's big shareholders might be looking to sell its stake. There was good two-way business for most of the session with dealers reporting [illegible] Brothers prominent among the sellers – prompting speculation that the US-owned investment bank was attempt[illegible] [illegible] dribble part [illegible] a large [illegible] into [illegible] market. Some observers even suggested that Salomon was selling on part of a large bought deal, perhaps intending [illegible] retain a significant stake after worries over a [illegible] overhang had been removed and the shares rallied.

LVMH was being mooted [illegible] a possible seller, the French group having agreed earlier this year to reduce its stake in Guinness from [illegible] to 20 per cent, a total of 80m shares. A deadline of June next year has been set for the sale. Another investor being mentioned as a candidate for baling out [illegible] US investor Mr Warren Buffet. Having traded sideways, Guinness shares enjoyed a strong afternoon session, ending the [illegible] 8 ahead at 455p on turnover of 6.6m.

### Unilever surge

Strong second quarter results from Unilever stunned the market and sent the shares [illegible] in the heaviest ever recorded daily turnover. Analysts had been expecting a slight fall in profits, with concerns expressed over the detergents market among other issues, all of which had served to de[illegible] the shares in recent sessions. However, Unilever turned in a healthy £611m profit – strong growth in the US and the rest of the world being compounded by good returns from speciality chemicals.

Many brokers were moving their profit forecasts upwards, together with a raft of positive recommendations. Mr Carl Short [illegible] SGST, a long-term bull of the stock, said: "There is now no reason why Unilever should be standing on a p/e discount to the market." He upgraded his full-year forecast by £21m to £2.374bn.

However, a [illegible] enthusiatic Mr Tim Potter at Smith New [illegible] reiterated his negative stance. "These [illegible] results, but one quarter does not justify a re-rating."

The shares surged 55 to 1097p in hefty volume of 9.3m.

At the [illegible] time, the sparkling Unilever results were being interpreted by speculative investors as a bellweather for the entire food manufacturing [illegible] ahead of the half-[illegible] results season next month. United Biscuits gained 9 to 339p, Cadbury Schweppes 5 to 467p and Booker 7 to 441p.

### Recs firm

The euphoria surrounding the regional electricity stocks since the distribution review by Offer, [illegible] electricity industry watchdog, gathered pace with many of the front-line broking houses telling their clients that the review provided plenty of upside in the sector.

"[illegible] have identified [illegible] winners and losers, but it must be stressed that all the recs are [illegible] for-mula," said Mr Douglas Falconer at Yamaichi.

Kleinwirt Benson said: "The recs will become rated on a restructuring story as the market realises the hidden value of [illegible] balance sheets and [illegible] holdings. With [illegible] per [illegible] real dividend growth [illegible] 2000 [illegible] will outperform."

The recs were also boosted by news that BZW, the powerful UK investment bank, and Swiss Bank Corporation had issued call warrants on the sec[illegible]. BZW issued 15m warrants to subscribe for baskets of recs, comprising Eastern, Midlands, Seeboard and Southern shares. [illegible] issued 1m warrants [illegible] baskets comprising East Midlands, Eastern, London, Midlands, Norweb, [illegible] and Yorkshire.

Among the [illegible] performers yesterday was Eastern, which jumped [illegible] to [illegible]p, with [illegible] market still intrigued by [illegible] purchase of a near 3 per cent block of shares in a single trade on Wednesday afternoon, which continued to drive suspicions of possible takeover moves in the sector ahead of the lifting of the government's golden share next year.

[illegible] up [illegible] to 740p, Midland jumped 25½ to 756p, South West 25 to 739p and South Wales, 24 to 746p. [illegible] put on 18 [illegible] 414p.

Water stocks, left far behind the recs recently, staged a powerful rally with some [illegible]tions, unable to buy large lines of the recs, shifting into [illegible] waters. Severn Trent jumped 8 [illegible] 547p, [illegible] Anglian 5½ to 537½p.

Rumours in the US that Glaxo was in[illegible] in Ely Lilly, the drugs group, helped depress the UK company's shares in London, which closed a penny down at 623p. The Wall Street speculation was putting a $75 a share price on Lilly's head, its shares advancing $2 to $54¾ during London hours. Last month, Eli paid $4bn for PCS, a US drugs distributor.

There was a return of rumours that Grand Metropolitan might be looking to sell its stake in IEL, a jointly-owned pub retailing group. Australian-owned brewer Courage was again the name being touted as the most likely candidate to buy the stake, although [illegible] suggestions that management could be involved in [illegible] many of [illegible] pubs. Grand Met [illegible] advanced 5 [illegible] 434p.

Lehman Brothers, [illegible] US brokerage, [illegible] responsible for the [illegible] in British [illegible] shares, hoisting its rating [illegible] and revising [illegible] earnings estimate [illegible] 1996, to take in the benefits of sharply increasing exploration and production profits and the benefits of restructuring.

Mr Simon Trimble, [illegible] analyst said market fears over the [illegible] dividend are unfounded, based on Lehman's forecast of future cash flows, that restructuring will cut costs by £600m a year and that Gas will respond vigorously to emerging competition in the domestic gas market "if it is allowed to comptete on an equal basis with new entrants".

Gas shares settled 2 higher at 289p after turnover of 4.6m.

Royal Insurance delivered one of the best individual performances in the FT-SE 100 list, the [illegible] advancing [illegible] more [illegible] the market continued [illegible] the excellent interim figures [illegible] on Thursday and the [illegible] growth prospects.

British Aerospace tumbled [illegible] on talk that a Japanese airline was seeking [illegible] cancel [illegible] delay [illegible] Airbus [illegible] and five options.

British [illegible] succumbed to profit-taking and [illegible] shares [illegible] 1½ [illegible] 160½p after [illegible] of 7.2m.

## NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (38).
DISTRIBUTORS (1) Brammer, ELECTRICITY (1) Eastern, ELECTRNC & ELECT EQUP (2) [illegible] A. Pressac, ENGINEERING (3) [illegible] Haden MacLellan, Thyssen, Tinsley (E), UMECO, ENG, VEHICLES (1) Trinity, EXTRACTIVE INDS (3) FOOD MANUF (1) Matthews (B), INSURANCE (1) Lombard Insce., INVESTMENT TRUSTS (8) LEISURE & HOTELS (2) Boosey & Hawkes, Chrysalis, MEDIA (1) Metro Radio, OTHER FINANCIAL (1) Exco, OTHER SERVS & BUSNS (2) Greenway, Plantsbrook, RETAILERS, GENERAL (3) Etam, French Connection, SPIRITS, WINES & CIDERS (2) Macallan-Glenlivet, Macdonald Martin A, SUPPORT SERVS (4) Admiral, Page (M), Reed Executive, Rolfe & Nolan, TEXTILES & APPAREL (1) Sullers, TRANSPORT (1) Applied Distribution, WATER (1) South Staffs, AMERICANS (1).
NEW LOWS (83).
GILTS (18) BANKS (1) Ottoman Bank, BUILDING & CNSTRN (1) Eve, BLDG MATLS & MCHTS (1) Explaura, DISTRIBUTORS (3) Asian, Bumdene, Kwik-Fit, ENGINEERING (2) Beckenham, Hunting, EXTRACTIVE INDS (1) Precious Metals Australia, HEALTH CARE (1) Eyecare Products, HOUSEHOLD GOODS (2) Jeyes, Tomkinsons, INVESTMENT TRUSTS (8) INVESTMENT COMPANIES (1) LIFE ASSURANCE (1) Lincoln National, MEDIA (2) MERCHANT BANKS (1) OIL EXPLORATION & PROD (1) Dragon Oil, OIL, INTEGRATED (1) Chevron Crpn., OTHER FINANCIAL (1) Union, PHARMACEUTICALS (2) Cantab Pharms., Novo Nordisk B, PRTNG, PAPER & PACKG (1) Brit. Thornton, PROPERTY (3) Bilton, INOCO, Salisland, RETAILERS, FOOD (1) Appleby Westward, RETAILERS, GENERAL (1) Upton & Southern, SUPPORT SERVS (1) Johnson Cleaners, TRANSPORT (1) Eurotunnel Wrts. 1993, AMERICANS (8) CANADIANS (1).

## ■ CHIEF PRICE CHANGES YESTERDAY

London (Pence)

[illegible]

| | | | |
|---|---|---|---|
| Admiral | [illegible] | + | 9 |
| [illegible] Grp. | [illegible] | + | 11 |
| Guinness | [illegible] | + | [illegible] |
| [illegible] MacLellan | 84 | + | 5 |
| Inspiration | 124 | + | 6½ |
| [illegible] Grp. | [illegible] | + | [illegible] |
| Nightfreight | [illegible] | + | [illegible] |
| Plantsbrook | [illegible] | + | [illegible] |
| [illegible] | [illegible] | + | [illegible] |
| [illegible] Insurance | [illegible] | + | 14 |
| Sthn. [illegible] | [illegible] | + | [illegible] |
| Unilever | [illegible] | + | [illegible] |
| Utd [illegible] | 339 | + | 9 |

Falls

| | | | |
|---|---|---|---|
| Eurotunnel | 291 | - | 6 |
| Tadpole [illegible] | [illegible] | - | 16 |
| Tiphook | [illegible] | - | [illegible] |
| Union | [illegible] | - | [illegible] |

## FT - SE Actuaries Share Indices

The UK Series

| | Aug 12 | Day's chge% | Aug 11 | Aug 10 | [illegible] | Year ago | Div. yld% | Earn. yld% | P/E ratio | Xd adj. ytd | Total Return | 1994 High | | 1994 Low | | Since Compilation High | | Low | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 3142.3 | [illegible] | [illegible] | 3167.0 | [illegible] | 3010.1 | [illegible] | [illegible] | 17.85 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FT-SE Mid 250 | 3728.8 | [illegible] | 3726.8 | 3716.9 | 3726.4 | 3455.5 | 3.31 | 5.58 | 21.86 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FT-SE Mid 250 ex Inv Trusts | [illegible] | +0.1 | [illegible] | [illegible] | [illegible] | 3465.9 | 3.45 | 6.09 | 20.19 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FT-SE-A 350 | [illegible] | +0.1 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 6.45 | 18.37 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FT-SE SmallCap | [illegible] | [illegible] | 1878.11 | 1874.04 | [illegible] | 1720.60 | 3.01 | [illegible] | 31.61 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FT-SE SmallCap ex Inv Trusts | [illegible] | +0.1 | [illegible] | [illegible] | 1839.53 | 1708.34 | 3.18 | 4.67 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FT-SE-A ALL-SHARE | [illegible] | +0.1 | [illegible] | [illegible] | 1585.69 | 1494.30 | 3.78 | 6.20 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

■ FT-SE Actuaries All-Share

| | Aug 12 | Day's chge% | Aug 11 | Aug 10 | Aug 9 | Year ago | Div. yld% | Earn. yld% | P/E ratio | Xd adj. ytd | Total Return | 1994 High | | Low | | Since Compilation High | | Low | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

■ Hourly movements

| | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | High/day | Low/day |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 3115.3 | 3128.3 | 3127.4 | [illegible] | 3117.9 | 3117.2 | 3123.5 | 3136.9 | [illegible] | [illegible] | 3110.7 |
| FT-SE Mid 250 | 3710.6 | 3714.1 | 3716.2 | 3711.9 | 3713.8 | 3717.2 | 3724.2 | [illegible] | [illegible] | [illegible] | 3708.5 |
| FT-SE-A 350 | 1577.4 | 1582.8 | 1582.6 | 1577.1 | 1578.7 | 1578.6 | 1581.3 | 1585.7 | 1588.6 | 1589.7 | [illegible] |

Time of FT-SE 100 High: 4.14pm Low: 10.46am

■ FT-SE Actuaries 350 Industry baskets

| | Open | [illegible] | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | [illegible] | 16.10 | Close | Previous | Change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bldg & Cnstrcn | 1136.1 | 1135.7 | 1136.3 | [illegible] | [illegible] | 1128.5 | [illegible] | [illegible] | 1132.8 | 1147.9 | [illegible] | +10.1 |
| Pharmaceuticals | 3028.1 | [illegible] | 3030.4 | 3022.1 | 3024.5 | [illegible] | 3030.7 | 3084.1 | 3061.9 | 3051.8 | [illegible] | +6.3 |
| Water | 1824.9 | 1828.8 | 1832.1 | 1821.4 | 1813.8 | 1811.8 | 1812.4 | 1842.0 | [illegible] | [illegible] | [illegible] | +25.0 |
| Banks | 2775.8 | 2800.0 | [illegible] | 2782.6 | 2787.9 | 2786.3 | 2788.6 | 2801.2 | 2803.8 | 2810.2 | [illegible] | [illegible] |

| Equity section or group | Base date | Base value | Equity section or group | Base date | Base value | Equity section or group | Base date | Base value | Equity section or group | Base date | Base value |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE Total Return Indices | 31/12/92 | 1000.00 | FT-SE SmallCap ex Inv Trusts | [illegible] | 1412.60 | [illegible] | 29/12/89 | 1000.00 | UK Gilts Indices | [illegible] | 100.00 |
| FT-SE SmallCap | 31/12/92 | 1363.79 | FT-SE-A 350 | [illegible] | 682.94 | [illegible] | 10/4/62 | 100.00 | Index-Linked | [illegible] | 100.00 |
| FT-SE SmallCap ex Inv Trs | 31/12/92 | 1363.79 | FT-SE 100 | [illegible] | 1000.00 | FT-SE-A All-Share | 10/4/62 | 100.00 | Debs and Loans | [illegible] | 100.00 |
| FT-SE Mid 250 | 31/12/92 | 1000.00 | [illegible] | [illegible] | [illegible] | All Other | 31/12/85 | 1000.00 | [illegible] | [illegible] | 100.00 |

The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 indices are compiled by the London Stock Exchange and the FT-SE Actuaries All-Share index and the FT-SE SmallCap index are compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1994. © The Financial Times Limited 1994. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. Auditor: The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.



Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

| ½ hour period ending | Provisional Prices for trading on 13.08.94 Pool purchase price | Final Prices for trading on 10.08.94 Pool purchase price | Pool selling price |
|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] |

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

## AUTHORISED UNIT TRUSTS

## Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

**INITIAL CHARGE:** Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

**OFFER PRICE:** Also called issue price. The price at which units are bought by investors.

**BID PRICE:** Also called redemption price. The price at which units are sold back by investors.

**CANCELLATION PRICE:** The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

**TIME:** The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

**HISTORIC PRICING:** The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

**FORWARD PRICING:** The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

**SCHEME PARTICULARS AND REPORTS:** The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

هكذا في الأصل

تتعذر من الاصل



# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help [redacted] on ( 071 ) 873 4378 for [redacted]

Thornton Unit Managers Ltd - Contd.

[illegible]

Waverley Unit Tst Mngmt Ltd (1000)F

[illegible]

## OTHER UK UNIT TRUSTS

[illegible]

## INSURANCES

[illegible]

Abbey National Life Plc

[illegible]

Clerical Medical/Fidelity Investments

[illegible]

Friends Provident - Contd.

[illegible]

Lancashire & Yorkshire Assce Society

[illegible]

MGM Assurance (z)

[illegible]

Norwich Union Life Insurance Soc. - Contd.

[illegible]

Prudential Individual Pension Funds

[illegible]

# FT MANAGED FUNDS SERVICE

● FT [illegible]ine Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on ( 071 ) 873 4378 for more details.

## Scottish Mutual Assurance plc - Contd.

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| North American Fund | 231.3 | 243.5 | [illegible] | - |
| International Fund | 291.5 | 306.9 | [illegible] | - |
| Gilts & Fxd Int Fund | 180.4 | 189.9 | [illegible] | - |
| Index-Linked Fund | 173.8 | 182.8 | [illegible] | - |
| Property Fund | 132.7 | 139.7 | — | - |
| Cash Fund | 172.9 | 182.0 | | - |
| Pens Safety Fnd | 272.8 | 287.0 | +0.80 | - |
| Pens Growth Fnd | 247.0 | 260.0 | +0.10 | - |
| Pens Opportunity Fnd | 248.2 | 261.3 | -0.10 | - |
| Pens N'wide Venture Fnd | 198.0 | 208.4 | -1.10 | - |
| Pens UK Equity Fnd | 247.6 | 254.4 | +0.40 | - |
| Pens UK Smlr Co's Fnd | 205.8 | 216.7 | +1.10 | - |
| Pens European Fnd | 325.4 | 342.6 | -0.70 | - |
| Pens Far East Fnd | 433.0 | 456.2 | -3.60 | - |
| Pens Japanese Fnd | 147.8 | 155.4 | -1.00 | - |
| Pens Nth American Fnd | 293.1 | 308.6 | -1.10 | - |
| Pens International Fnd | 303.7 | 319.7 | -1.50 | - |
| Pens Gilts/Fxd Int Fnd | 227.0 | 239.0 | +0.70 | - |
| Pens Index-linked Fnd | 179.5 | 189.0 | +0.10 | - |
| Pens Property Fnd | 147.8 | 155.6 | — | - |
| Pens Cash Fund | 214.7 | 226.1 | | - |
| Pens Halifax Fnd | 230.8 | 243.0 | +0.10 | - |

## Scottish Provident Group

8 St Andrew Sq, Edinburgh 031-556 2852

Scottish Provident Institution Funds

Life Funds

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| With-Profits | 112.9 | 118.9 | | - |
| Managed | 267.4 | 281.5 | -2.2 | - |
| Blue Chip | 142.7 | 150.4 | -1.6 | - |
| Equity | 277.8 | 292.3 | -1.8 | - |
| International | 290.4 | 306.0 | -1.8 | - |
| Property | 234.1 | 246.6 | +0.1 | - |
| Fixed Interest | 208.0 | 219.1 | -1.2 | - |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## Sun Alliance Group - Contd.

Property Growth Pension Bonds

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Managed (Acc) | | 1180.8 | -4.2 | - |
| Managed (Cap) | | 816.9 | -3.2 | - |
| Building Society (Acc) | | 659.4 | +0.6 | - |
| Building Society (Cap) | | 464.9 | +0.2 | - |
| Conv Bldng Soc (Acc) | | 392.8 | +0.3 | - |
| Conv Bldng Soc (Cap) | | 461.3 | | - |
| Equity (Acc) | | 667.4 | -6.6 | - |
| Equity (Cap) | | 579.5 | -5.8 | - |
| Gilt Edged (Acc) | | 437.2 | -4.8 | - |
| Gilt Edged (Cap) | | 273.7 | -2.9 | - |
| International (Acc) | | 395.8 | -3.4 | - |
| International (Cap) | | 232.1 | -2.5 | - |
| Property (Acc) | | 727.1 | +0.3 | - |
| Property (Cap) | | 376.1 | | - |
| Pension Fund Units | | 810.5 | +0.5 | - |
| Immediate Annuity | | 329.0 | — | - |
| Retirement Annuity | | 1238.6 | — | - |

## Sun Life Unit Assurance Ltd

St James Barton, Bristol BS99 7SL 0272 426911

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Managed Acc | 904.9 | 952.6 | -3.1 | - |
| Property Acc | 339.4 | 357.3 | -1.4 | - |
| Equity Acc | 1443.1 | 1519.1 | -8.8 | - |
| Fixed Interest Acc | 373.7 | 393.4 | -1.6 | - |
| Cash Acc | 306.4 | 322.6 | | - |
| International Acc | 615.4 | 647.8 | -0.6 | - |
| Distribution | 277.2 | 291.8 | -0.4 | 6.00 |
| American Equity Acc | 348.7 | 366.2 | +5.1 | - |
| Far Eastern Acc | 906.3 | 954.0 | +4.6 | - |
| Index-Linked Acc | 190.5 | 200.6 | -0.2 | - |
| Japan Acc | 340.3 | 358.3 | +1.0 | - |
| Pacific Acc | 386.5 | 406.9 | +2.7 | - |
| European | 200.8 | 211.2 | -1.4 | - |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## MANAGEMENT SERVI[illegible]

## Century Life International Ltd

Exchange rate at Valuation Day US$1.5470

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Dollar Deposit (6) | $2.780 | 2.910 | — | - |
| European Equity (6) | 459.7 | 489.8 | — | - |
| Global Managed (6) | $0.935 | 1.010 | — | - |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## Capital Trust Financial Management

8-10 Brook St, Coleraine Co. Londonderry 0265 58500

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Investment Portfolio | 212.9 | 222.3 | — | - |
| Executive Pension | 170.2 | 179.2 | — | - |
| Managed Growth | 128.5 | 135.1 | — | - |

## Chase de Vere PLC

63 Lincoln's Inn Fields, London WC2A 3JX 071-404 5766

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| New Trust Fd | 137.5 | 144.7 | — | - |

## DBS Financial Management Ltd

Independence Hse, Holly Bk Rd, Huddersfield 0484 422224

DBS Personal Portfolio

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Adventurous | 92.9 | 97.7 | +0.3 | - |
| Balanced | [illegible] | [illegible] | +0.2 | - |
| Cautious | [illegible] | [illegible] | -0.2 | - |
| Deposit | [illegible] | 101.6 | | - |
| Emerging Markets | [illegible] | [illegible] | +0.8 | - |
| Friendly Endeavour | 95.7 | 100.7 | +0.3 | - |

## Fairmount Financial Services Ltd

Castle House, Tonbridge Wells TN1 1BX 0892 510081

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Secure | 125.60 | 132.20 | | - |
| Growth | 141.40 | 148.90 | +0.50 | - |
| Pension Secure | 113.80 | 119.80 | -0.10 | - |
| Pension Growth | 131.30 | 138.20 | +0.40 | - |
| Pension International | 140.00 | 147.90 | -0.10 | - |

## Foster & Braithwaite Ltd

3 London Wall Bldgs, London EC2M 5RB 071 588 6111

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Managed Pension | | 89.0 | — | - |
| Managed Inv Tst Pension | | 84.8 | — | - |

## Lazzard Freres Asset Management (CI) Ltd

PO Box 275, St Peter Port, Guernsey

## Lazzard Fund Mngrs (Channel Islands) Ltd

PO Box 275, St Peter Port, Guernsey

## Lloyds Intl Money Market Fund Ltd

[illegible]

## OFFSHORE INSURANCES

[illegible]

## OFFSHORE AND OVERSEAS

## BERMUDA (SIB RECOGNISED)

[illegible]

## GUERNSEY (SIB RECOGNISED)

[illegible]

## GUERNSEY (REGULATED)(**)

[illegible]

## IRELAND (SIB RECOGNISED)

[illegible]

## IRELAND (REGULATED)(**)

[illegible]

## ISLE OF MAN (SIB RECOGNISED)

[illegible]

## ISLE OF MAN (REGULATED)(**)

[illegible]

## JERSEY (SIB RECOGNISED)

[illegible]

## JERSEY (REGULATED)(**)

[illegible]

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# FT MANAGED FUNDS SERVICE

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## LUXEMBOURG (SIB RECOGNISED)

| | Init Chrge | Canc Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **ABN AMRO Funds** | | | | | | |
| 14 Rue Jean Monnet, L-2180 Luxembourg 352 4249400020 | | | | | | |
| Latin America Equity | | $– | 53.40 | 54.58 | — | — |
| North America Equity | | $– | 49.95 | 50.20 | — | — |
| Germany Equity | | DM– | 102.47 | 102.86 | — | — |
| Europe Bond | | $– | [illegible] | [illegible] | — | — |
| Germany Bond | | DM– | 98.53 | 98.78 | — | — |
| **Abtrust Fund Mngrs Luxembourg SA (u)** | | | | | | |
| 13 rue Goethe L-1637 Luxembourg 010 352 4046461 | | | | | | |
| **American Phoenix Investment Portfolios (u)** | | | | | | |
| 13 rue Goethe, L-1637 Luxembourg 010 352 4046461 | | | | | | |
| **BAII Intermarket Fund** | | | | | | |
| 2 Boulevard Royal, Luxembourg 010 352 4580 3362 | | | | | | |
| NAV Jul 29 | | $– | 871.09 | | +0.01 | – |
| **Bank Von Ernst & Cie AG** | | | | | | |
| Marktgasse 63/65, 3001 Berne, Switzerland 3131114001 | | | | | | |
| Von Ernst Global Portfolio | | | | | | |

**HSBC Investment Funds Luxembourg SA (u)**

7 rue du Marche – aux – Herbes L-1728 Luxembourg

**Henderson Management SA (u)**

## LUXEMBOURG (REGULATED)(**)

For ABN AMRO see Luxembourg (SIB Recognised)

**Aetna International Umbrella Fund (u)**

**Alliance Capital**

**Israel Selection Fund**

For Latin American Securities see Foreign & Colonial

**Lloyds Bank Luxembourg (u)**

**Lombard Odier Invest (u)**

**MFS International Funds**

**"WINTERTHUR" Fund Mngmt Co (Lux) SA**

**World Trust Fund**

## OTHER OFFSHORE FUNDS

**ATSP Management Ltd**

JERSEY

MANAGED FUNDS NOTES

# WORLD STOCK MARKETS

## NORTH AMERICA

UNITED STATES (Aug 12 / US$) (5 pm)

[illegible]

CANADA (Aug 12 / Can. $) (3 pm)

[illegible]

## EUROPE

AUSTRIA (Aug 12 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Aug 12 / Frs.)

[illegible]

DENMARK (Aug 12 / Kr)

[illegible]

FINLAND (Aug 12 / Mkk)

[illegible]

[illegible] (Aug 12 / Frs.)

[illegible]

GERMANY (Aug 12 / Dm.)

[illegible]

ITALY (Aug 12 / Lire)

[illegible]

NETHERLANDS (Aug 12 / Fls.)

[illegible]

NORWAY (Aug 12 / Kroner)

[illegible]

[illegible] (Aug 12 / Pts.)

[illegible]

SWEDEN (Aug 12 / Kronor)

[illegible]

SWITZERLAND (Aug 12 / Frs.)

[illegible]

## AFRICA

SOUTH [illegible] (Aug 12 / [illegible])

[illegible]

## PACIFIC

JAPAN (Aug 12 / Yen)

[illegible]

AUSTRALIA (Aug 12 / Aust$)

[illegible]

HONG KONG (Aug 12 / H.K.$)

[illegible]

MALAYSIA (Aug 12 / MYR)

[illegible]

SINGAPORE (Aug 12 / S$)

[illegible]

## INDICES

| | Aug 12 | Aug 11 | Aug 10 | 1994 High | | Low | |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |
| General (29/12/77) | [illegible] | [illegible] | 19732.48 | 23479.40 | [illegible] | [illegible] | 20/4 |
| Australia | | | | | | | |
| [illegible] | [illegible] | [illegible] | 2076.5 | 2340.60 | 3/2 | 1967.40 | [illegible] |
| All Mining(1/1/80) | [illegible] | [illegible] | 1018.4 | [illegible] | [illegible] | [illegible] | 5/5 |
| [illegible] | | | | | | | |
| Credit [illegible] | [illegible] | [illegible] | [illegible] | 460.88 | 2/2 | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | 1222.25 | 1/2 | 1011.36 | 6/6 |
| [illegible] | | | | | | | |
| BEL20 (1/1/91) | 1488.02 | 1488.51 | [illegible] | [illegible] | 9/2 | [illegible] | [illegible] |
| Brazil | | | | | | | |
| Bovespa (29/12/83) | (u) | 44538.0 | 46132.0 | [illegible] | [illegible] | [illegible] | [illegible] |
| Canada | | | | | | | |
| Metals Minls◆(1975) | (u) | 3845.36 | 3907.92 | 3885.31 | [illegible] | [illegible] | [illegible] |
| Composite◆ (1975) | (u) | [illegible] | [illegible] | 4608.90 | [illegible] | [illegible] | 24/6 |
| Portfolio§§ (4/1/83) | [illegible] | [illegible] | 1986.10 | 2182.89 | 1/2 | [illegible] | [illegible] |
| [illegible] | | | | | | | |
| IPGA Gen (31/12/80) | (u) | [illegible] | [illegible] | 4887.80 | 4/2 | 3091.20 | [illegible] |
| Denmark | | | | | | | |
| [illegible] | [illegible] | 371.03 | 373.00 | 418.79 | [illegible] | 368.80 | [illegible] |
| Finland | | | | | | | |
| HEX General(28/12/90) | 1822.1 | [illegible] | 1878.1 | [illegible] | 4/2 | [illegible] | [illegible] |
| France | | | | | | | |
| SBF 250 (31/12/90) | [illegible] | [illegible] | [illegible] | 1585.29 | 2/2 | [illegible] | [illegible] |
| CAC 40(31/12/87) | [illegible] | 2038.93 | 2064.17 | [illegible] | 2/2 | [illegible] | 4/7 |
| Germany | | | | | | | |
| FAZ Aktien(31/12/58) | [illegible] | 821.78 | 816.30 | 898.27 | 18/5 | 757.51 | [illegible] |
| Commerzbank(1/12/53) | [illegible] | [illegible] | [illegible] | [illegible] | 2/5 | 2149.30 | [illegible] |
| DAX (30/12/87)‡ | [illegible] | [illegible] | [illegible] | 2271.11 | [illegible] | 1968.82 | 20/6 |
| [illegible] | | | | | | | |
| Athens SE(31/12/80) | [illegible] | 880.87 | [illegible] | 1194.88 | 18/1 | 808.87 | 23/6 |
| Hong Kong | | | | | | | |
| Hang Seng(31/7/64) | [illegible] | 9624.84 | [illegible] | 12201.09 | 4/1 | 8369.44 | 4/5 |
| [illegible] | | | | | | | |
| BSE [illegible] | [illegible] | [illegible] | [illegible] | 4606.10 | 12/6 | [illegible] | 5/1 |
| Indonesia | | | | | | | |
| Jakarta Comp.(10/8/82) | 475.00 | [illegible] | [illegible] | [illegible] | [illegible] | 448.72 | 12/7 |
| Ireland | | | | | | | |
| ISEQ Overall(4/1/88) | 1830.19 | [illegible] | [illegible] | 2082.18 | 20/1 | [illegible] | [illegible] |
| Italy | | | | | | | |
| Banca Comm Ital (1972) | 644.43 | [illegible] | 674.52 | 817.17 | 10/5 | [illegible] | 10/1 |
| MIB General (4/1/94) | 1041.0 | [illegible] | [illegible] | 1318.00 | 10/5 | 944.00 | 10/1 |
| Japan | | | | | | | |
| Nikkei 225 (16/5/49) | 20663.83 | 20821.36 | 20770.25 | 21552.81 | 13/6 | 17369.74 | 4/1 |
| Nikkei 300 (1/10/82) | 300.20 | 302.45 | 302.15 | 311.71 | 13/6 | 288.22 | 4/1 |
| Topix [illegible] | [illegible] | [illegible] | 1661.50 | 1712.73 | 13/6 | [illegible] | 4/1 |
| 2nd Section [illegible] | [illegible] | 2465.74 | [illegible] | 2542.65 | 6/7 | 1873.33 | 4/1 |
| Malaysia | | | | | | | |
| KLSE Comp.(4/4/86) | 1105.29 | 1111.48 | 1092.80 | 1314.46 | 5/1 | [illegible] | 4/4 |

| | Aug 12 | Aug 11 | [illegible] | [illegible] High | | Low | |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |
| IPC (Nov 1978) | [illegible] | [illegible] | [illegible] | [illegible] | 8/2 | 1957.33 | 20/4 |
| [illegible] | | | | | | | |
| CBS [illegible] 83) | 433.7 | [illegible] | 436.3 | 464.80 | [illegible] | [illegible] | [illegible] |
| CBS All Shr (End [illegible]) | 275.2 | [illegible] | [illegible] | 294.80 | 31/1 | [illegible] | 21/6 |
| New Zealand | | | | | | | |
| [illegible] | [illegible] | [illegible] | 2088.10 | [illegible] | 3/2 | 1946.81 | 11/7 |
| [illegible] | | | | | | | |
| Oslo SE(Ind)(2/1/83) | 1102.83 | [illegible] | [illegible] | 1211.10 | 28/2 | [illegible] | 21/6 |
| Philippines | | | | | | | |
| Manila Comp (2/1/85) | 3007.36 | 2976.08 | [illegible] | [illegible] | 4/1 | [illegible] | [illegible] |
| Portugal | | | | | | | |
| BTA (1977) | [illegible] | [illegible] | [illegible] | [illegible] | 18/2 | [illegible] | [illegible] |
| Singapore | | | | | | | |
| SES All-S'pore(2/4/75) | 572.29 | [illegible] | 568.30 | 641.61 | 4/1 | [illegible] | [illegible] |
| South Africa | | | | | | | |
| JSE Gold [illegible] | [illegible] | [illegible] | 2223.0 | 2331.00 | 4/1 | [illegible] | 14/2 |
| JSE Indl. (28/9/78) | [illegible] | 6541.0 | [illegible] | 6757.00 | [illegible] | 6448.00 | [illegible] |
| South Korea | | | | | | | |
| KoreaCmpEx(4/1/80)** | 946.74 | [illegible] | 930.21 | [illegible] | 2/2 | [illegible] | 2/4 |
| Spain | | | | | | | |
| [illegible] SE (30/12/85) | [illegible] | 318.38 | 321.06 | 358.31 | 31/1 | [illegible] | 6/7 |
| [illegible] | | | | | | | |
| AffarsvardlnGen (1/2/37) | [illegible] | [illegible] | [illegible] | [illegible] | 31/1 | [illegible] | 6/7 |
| [illegible] | | | | | | | |
| [illegible] Bk Ind(31/12/58) | [illegible] | [illegible] | [illegible] | 1423.34 | 31/1 | [illegible] | [illegible] |
| SBC General (1/4/87) | [illegible] | [illegible] | 925.08 | 1093.29 | 31/1 | 888.10 | 13/7 |
| Taiwan | | | | | | | |
| WeightedPr.(30/6/66)** | 6628.14 | 6602.02 | 6638.01 | [illegible] | [illegible] | [illegible] | 19/3 |
| Thailand | | | | | | | |
| Bangkok SET (30/4/75) | (c) | 1428.49 | 1407.32 | 1753.73 | [illegible] | [illegible] | 4/4 |
| Turkey | | | | | | | |
| Istanbul Comp.(Jan 1986) | 24438.9 | [illegible] | 23554.5 | [illegible] | [illegible] | [illegible] | [illegible] |
| WORLD | | | | | | | |
| MS Capital Int (1/1/70)$ | 631.2* | 629.5 | 632.2 | 641.00 | 1/2 | [illegible] | 4/4 |
| CROSS-BORDER | | | | | | | |
| Eurotrack 100(26/10/90) | 1352.33 | [illegible] | 1384.35 | 1540.19 | 31/1 | 1303.48 | 21/6 |
| Euro Top-100 (26/6/90) | 1200.14 | [illegible] | 1222.83 | 1311.61 | 2/2 | 1143.06 | 21/6 |
| JCapelOrgns [illegible] | (u) | [illegible] | 328.79 | 395.19 | 5/1 | [illegible] | 21/3 |
| Barings Emerg.(7/1/92) | [illegible] | [illegible] | 174.26 | 192.72 | 14/2 | 141.66 | 21/4 |

■ CAC-40 STOCK INDEX FUTURES (MATIF)

| | Open | Sett Price | Change | High | [illegible] | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Aug | 2016.0 | 2019.0 | [illegible] | [illegible] | [illegible] | 914 | 27,661 |
| Sep | 2022.2 | [illegible] | -24.0 | 2033.0 | 2010.5 | 121 | 7,999 |
| Dec | [illegible] | 2055.5 | [illegible] | [illegible] | 2047.5 | 200 | [illegible] |

Open interest figures for previous day.

## US INDICES

| Dow Jones | Aug 11 | Aug 10 | Aug [illegible] | 1994 High | 1994 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Industrials | 3750.80 | [illegible] | [illegible] | [illegible] (31/1) | [illegible] (25/7) | [illegible] (31/1/94) | 41.22 (2/7/32) |
| Home Bonds | 97.53 | 97.57 | [illegible] | 105.61 (21/1) | 96.43 (13/5) | 109.77 (18/10/93) | 54.99 (1/10/81) |
| Transport | [illegible] | [illegible] | 1598.07 | 1862.29 (2/2) | [illegible] (20/4) | 1862.29 (2/2/94) | 12.32 (8/7/32) |
| Utilities | 187.69 | [illegible] | 188.67 | 227.06 (3/1) | 176.71 (24/6) | 256.46 (31/8/93) | 10.50 (8/4/32) |

DJ Ind. Day's high [illegible] ([illegible]) Low [illegible] (3738.27) (Theoretical◆)
Day's high 3773.69 (3777.12) Low [illegible] ([illegible]) (Actual◆)

| Standard and Poors | Aug 11 | Aug 10 | Aug [illegible] | 1994 High | 1994 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Composite ‡ | [illegible] | [illegible] | 457.93 | [illegible] (2/2) | [illegible] (4/4) | 504.19 (29/7/94) | [illegible] |
| [illegible] | [illegible] | [illegible] | 533.53 | 580.59 (2/2) | 510.05 (21/4) | 580.59 (2/2/94) | 3.62 (21/6/32) |
| Financial | [illegible] | [illegible] | 45.00 | 48.94 (14/6) | 41.39 (4/4) | 48.49 (28/9/93) | 8.64 (1/10/74) |
| NYSE Comp. | 253.31 | 254.20 | [illegible] | 267.71 (2/2) | [illegible] | 267.71 (2/2/94) | 4.46 (28/4/42) |
| Amex Mkt Val | 443.25 | 443.97 | 442.22 | 487.89 (2/2) | [illegible] | 487.89 (2/2/94) | 29.31 (9/12/72) |
| NASDAQ Cmp | 728.20 | 728.20 | 722.61 | 803.93 (18/3) | [illegible] (24/6) | [illegible] | 54.87 ([illegible]1/10/72) |

■ RATIOS

| | Aug 5 | Jul 29 | Jul 22 | Year ago |
|---|---|---|---|---|
| Dow Jones Ind. Div. Yield | 2.72 | 2.72 | 2.74 | 2.87 |
| | Aug 10 | Aug 3 | Jul 27 | Year ago |
| S & P Ind. Div. yield | 2.43 | 2.42 | 2.45 | 2.52 |
| S & P Ind. P/E ratio | 23.51 | 23.65 | 23.13 | 26.14 |

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

| | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | [illegible]40 | 458.60 | +0.40 | 456.90 | [illegible].20 | 72,739 | 197,034 |
| Dec | - | 460.95 | -2.70 | - | - | 1,818 | 18,745 |
| Mar | - | 464.30 | -2.65 | - | - | 701 | 3,830 |

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

| Thursday | Stocks traded | Close price | Change on [illegible] |
|---|---|---|---|
| Telefonos | 3,891,000 | [illegible] | +¼ |
| Evans Withy | 3,603,500 | [illegible] | +⅜ |
| Compaq | 3,391,400 | 35 | -⅛ |
| Merck | [illegible] | 32 | -¼ |
| Gap | [illegible] | 41¼ | +4⅜ |
| Micron | [illegible] | 42¼ | ... |
| Union Carbide | 2,548,400 | 33⅜ | +⅜ |
| Ford Motor | 2,499,000 | 28⅜ | -½ |
| Gen Elec | 2,453,700 | 47½ | -⅜ |
| IBM | 2,429,100 | 64⅜ | +⅜ |

■ TRADING ACTIVITY

● Volume (million)

| | Aug 11 | Aug 10 | Aug 9 |
|---|---|---|---|
| [illegible] SE | 275.677 | 279.474 | [illegible] |
| Amex | [illegible] | [illegible] | [illegible] |
| NASDAQ | 303.411 | 326.433 | 241.583 |
| NYSE | | | |
| Issues Traded | 2,831 | 2,846 | 2,859 |
| Rises | 727 | 1,189 | [illegible] |
| Falls | 1,381 | 941 | 1,145 |
| Unchanged | 723 | 716 | 740 |
| New [illegible] | 28 | 63 | 29 |
| New Lows | 71 | 51 | 72 |

** Sat Aug 6 : Taiwan Weighted Price 6940.32; Korea Comp Ex 932.7 . Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ◆ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Aug 12 - 2133.74 -22.57

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ◆ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent [illegible] highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.



[illegible]

هكذا في الاصل

# WORLD STOCK MARKETS

AMERICA

## Rally in bond prices lifts US stocks

### Wall Street

A sharp rally in bond prices, in the wake of encouraging inflation news, helped the US stock market yesterday to end a difficult week on an upbeat note, *writes Patrick Harverson in New York.*

By 1 pm, [illegible] Dow Jones Industrial Average [illegible] up [illegible] at [illegible]. The more broadly based Standard & Poor's 500 was also firmer [illegible] the halfway mark, up [illegible] at 461.70, while the American Stock Exchange composite was up 0.09 at 443.34 and the Nasdaq composite was 2.27 higher at 730.47. Volume on the N[illegible] Stock Exchange [illegible] 150m [illegible] by 1 pm.

After bond and stock prices had fallen on Thursday, follow[illegible] disturbing producer prices and retail sales data which raised expectations that the Federal Reserve would put up interest [illegible] again soon, the situation was partially reversed yesterday. Good [illegible] on inflation – the consumer prices index rose by only 0.3 per cent in July, a smaller increase than analysts had been expecting – lifted bonds and stocks because it soothed [illegible] imminent interest rate increase.

Although analysts warned that monetary policy [illegible] probably still [illegible] tightened by the Fed some time in the near future, the CPI figure was a welcome boost to short-term sentiment after a difficult week in which long-term bond yields had risen steadily. Yesterday, however, bond [illegible] fell, with [illegible] benchmark 30-year [illegible] advancing [illegible] a full point, which pushed its yield down to 7.475 per cent – the first time it had been below 7.5 per cent in a week.

Share prices responded immediately to the encouraging move in bond yields, with blue-chip stocks rising steadily from the opening bell. Secondary markets also fared well, although leading shares on the American Stock Exchange struggled to [illegible] up.

Among individual [illegible], Exxon jumped $2¾ to $60⅝ in volume of 1.6m shares as investors celebrated Thursday's decision by a jury that the oil group was liable for only $287m in compensatory damages for the Exxon [illegible] oil spill in Alaska in March, 1989. The [illegible] significantly lower than the $895m asked for by the plaintiffs.

Eli Lilly [illegible] $2 [illegible] amid mounting speculation that Glaxo will buy part of PCS – the US group's managed healthcare subsidiary, [illegible] was acquired from McKesson earlier this year in a $4bn transaction. Glaxo shares were unchanged at $19¾.

United American Healthcare rose [illegible] to [illegible] after a national newspaper reported analysts' predictions of strong growth for the [illegible] in the coming year.

Leading bank [illegible] rebounded from recent declines because [illegible] interest rate fears. Bankers Trust rose $1 to $68 and Citicorp added $⅛ [illegible].

### Canada

Toronto [illegible] mixed [illegible] midday [illegible] gains in most other [illegible].

Insurance stocks weakened after the news that Confederation Life Insurance, the country's fifth biggest insurance [illegible], was to be wound up. Federal regulators took control of the group after the failure of efforts to put together a bail-out package.

The TSE 300 composite index [illegible] 1.90 to 4,172.78 in volume [illegible] 26.84m shares valued at C$475.22m. Advances led declines by 269 to 256, with 249 [illegible] flat.

### Mexico

[illegible] were slightly higher in early trading with analysts expecting another volatile [illegible] by pre-election speculation.

The IPC index added 9.23 to [illegible] in [illegible] shares.

# Amsterdam is gripped by hopes and fears

**Ronald van de Krol** assesses the Dutch market

In [illegible] countries, the failure to form a new government more than 100 days after a general election would be expected to spark, [illegible] very least, some sort of reaction on the stock exchange.

In the Netherlands, where coalition governments are the norm and economic stability is almost ingrained, the Amsterdam [illegible] Exchange [illegible] hardly taken any notice of the drawn-out political talks in The Hague.

This week the deadlock appears to have been broken at last, though this [illegible] little excitement on the bourse. This might seem surprising because [illegible] new government – comprising members [illegible] Labour, [illegible] right-wing Liberals and [illegible] left-of-centre D66 – would [illegible] in [illegible] history [illegible] exclude [illegible] Christian Democrats, [illegible] in [illegible] May [illegible] general election.

But [illegible] Mr [illegible] Vaan, [illegible] analyst at [illegible] merchant [illegible] MeesPierson, [illegible] "The [illegible] formation [illegible] been a non-[illegible] for the bourse." The main political parties [illegible] in [illegible] agreement on the econ[illegible] new government, when it is installed, will bring only [illegible] existing policies, he notes.

The prospect of a new government taking [illegible] next week will make little [illegible] sentiment on [illegible] bourse. And the strong likelihood that the finance minister will be from [illegible] party should quell any nervousness on the government bond market.

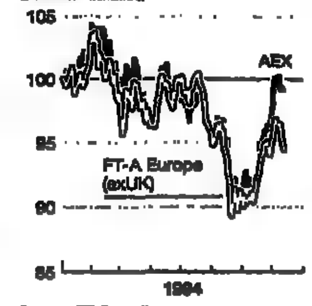
Far from dwelling on politics, the Amsterdam exchange has spent much of the summer focusing on the dollar, interest rates and second-quarter corporate earnings, which reached a peak over the past [illegible] days with results from companies such as Philips, Royal Dutch, Unilever, Akzo, DSM and Hoogovens.

As probably the most dollar-sensitive [illegible] in Europe, the [illegible] hit briefly by dollar weakness earlier in the summer. But it has [illegible] well from the lows of late June, when the [illegible]dam-EOE Index (AEX) hit 376.7 points after falling steadily from a high of 436.7 in late January.

The reporting season of early August has seen Amsterdam swing from euphoria to nervousness. In spite of [illegible] strong gains that took [illegible] up to more than [illegible] points and a [illegible] sharp [illegible] in corporate profits, the [illegible] has [illegible] achieve earlier heights, closing yester[illegible] 414.43.

The bourse's mixture [illegible] hope

**Netherlands**




Source: FT Graphite

and fear is part of the market's transition to a new preoccupation with earnings following two years in which it has been driven mainly by interest [illegible] concerns.

Two of Amsterdam's cyclical companies, the chemicals groups Akzo and DSM, started the reporting season on August 3 with figures showing steep profit rises. Although [illegible] results [illegible] analysts' expectations they led to some profit-taking on [illegible] day, reflecting [illegible] that both companies [illegible] outperformed [illegible] bourse in [illegible]. Since then Akzo has fallen further to trade [illegible] Fl 218.70 compared with Fl 219.50 on August 2, while DSM has slipped [illegible] Fl 144.50 from the Fl 147 level in early August.

In [illegible] price movements this month, analysts [illegible] that some stocks, including individual cyclicals, still have room to rise.

ABN Amro, in its August strategy report, [illegible] it was cautious for the short term, but added there was a possibility that the AEX might stand at around 465 points by mid-1995.

"Our strategy remains unchanged," the [illegible] said. "We continue to be overweight in cyclical shares."

MeesPierson, noting that market valuation [illegible] already high in historical terms, [illegible] forecasting a 15 per cent return for the bourse over the next [illegible].

Analysts [illegible] agreed that selectivity is important, even in the popular [illegible]clical end of the market.

[illegible] chemicals companies, Akzo [illegible] preferred for long-term potential over DSM. Other cyclicals cited [illegible] buys [illegible] KNP BT, [illegible] big Dutch-based paper and packaging group; Hunter Douglas, [illegible] manufacturer of venetian [illegible] and ceiling systems; and Nedlloyd, the Rotterdam road and ocean-going transport company.

Not all [illegible] were [illegible] received. The nearly 15 [illegible] reported [illegible] day by PolyGram, the music company that is majority-owned by Philips, fell [illegible] expectations, helping to unsettle [illegible] parts [illegible] market briefly at mid-week.

In recent days [illegible] in Amsterdam have shown [illegible] they are looking not only at second-quarter results but also at forecasts for the rest of the year. Hoogovens, [illegible] reported a swing back into profit for the first half, pleased [illegible] with [illegible] substantial increases to come. Its shares rose by 4.7 per cent to Fl 80.70 on Wednesday after the results.

Another beneficiary from a strong forecast is Philips, which trebled net profit before extraordinaries at the half-year stage and predicted a [illegible] increase [illegible] the year [illegible].

Banks and insurers, underperformers in [illegible] months and not due to report until later in August, seem out of [illegible] with many analysts because of the potential for [illegible] in long-term [illegible] rates.

EUROPE

## Rate rise shock waves ease in the afternoon

The [illegible] by Thursday's key rate rises in Sweden [illegible] Italy [illegible] alleviated to some extent by lower than expected inflation data in [illegible] US, a [illegible] in Treasuries and the same pattern in European bond markets, *writes Our Markets Staff.*

**FRANKFURT** [illegible] nearly 2 per cent down at one stage as [illegible] Bundesbank's average bond yield rose 26 basis points [illegible] 7.11 per cent. However, the Dax index closed the session 30.60 [illegible] at 2,124.68, a 2.7 [illegible] cent loss on the week, recov[illegible] to an Ibis-indicated 2,133.74 [illegible] the end [illegible] post-bourse.

Turnover rose again, from DM7.1bn to DM7.7bn. The session was notable for falls in the leaders, Allianz [illegible] Daimler both dropping more than 2 per cent, Siemens by DM10.50 to DM673.10 and Deutsche Bank by DM12.80 to DM693.20.

Germany's biggest bank was more than 6 per cent down on a painful week which culminated in debt rating fears, waved away by Standard & Poors and Moody's, and an earnings downgrade by Lehman Brothers from *DM50* to *DM43.40* a share. Metallgesellschaft fared worse, DM16, [illegible] 7.7 per cent lower [illegible] DM190.50 after the board expressed caution [illegible] DM250 a [illegible] rights issue price.

**PARIS** just held [illegible] 2,000 support level, the CAC-40 index sliding by 31.98 or 1.6 per cent [illegible], down [illegible] on the week after a session low [illegible]. Turnover [illegible] FFr3.5bn.

Alcatel Alsthom, down FFr28 [illegible] FFr600, [illegible] down sharply after Lehman Brothers downgraded the stock from outperform to underperform, cut its 1994 and 1995 estimates, and said that it was removing the company from its recommended list.

Lehman said that problems in the German telecoms division would result in a 1994 loss, while its entry into the mobile telephone market was "somewhat late, such that they [Alcatel] will produce 500,000 handsets in 1994, compared with Nokia's 25m. Other potential positives for [illegible] – orders in China and ATM [illegible] new telecommunications technology] are either too small or too far off to have a [illegible] impact [illegible] earnings [illegible] short term."

**MILAN** reacted to Thursday's after-hours rate move by marking down prices [illegible] the [illegible]. Nerves were frayed further by rumours that Mr Silvio Berlusconi, the prime minister, might step down as the lira came under renewed pressure on the money markets.

Mr Berlusconi was due to make a televised address to the nation last night.

[illegible] Comit index [illegible] down 24.74 or 3.7 per cent at 644.43, a fall of [illegible] per cent on the week.

Mr [illegible] Cowan of James Capel in London remarked that the Bank of Italy, through its "opportunistic timing" of the rate rise, had sent a political message to the government of Mr Berlusconi.

With most of the country's political leaders currently on holiday, Mr Cowan thought it was unlikely that the government [illegible] immediately to the bank's action. However, he thought [illegible] action would have a positive outcome, causing [illegible] government [illegible] budget deficit.

**AMSTERDAM** ended a heavy week of results with good figures from Unilever, [illegible] came in [illegible] the top [illegible] expectations; but the overall tone was negative. Unilever picked [illegible] Fl 2.10 [illegible] Fl 195.90, [illegible] a high [illegible] Fl 197.90 and unable [illegible] sustain the [illegible] index which closed off 2.38 at 414.43, a week's fall of 1.2 per [illegible].

**ZURICH** recovered from an intraday decline of nearly 2 per cent to end with the SMI index down 8.3, or just 0.3 per cent at 2,580.5, 0.4 per cent lower on the week.

Financials were a percentage point weaker on the day. But Swissair, up SFr6 at [illegible] was 6.9 per cent up on the week and SMH, adding another SFr2 [illegible] SFr182, a full 10.3 per [illegible] better [illegible] five days.

**MADRID**'s afternoon recovery left the general index down 5.49 at 312.89, 2.8 per cent lower on the week. Turnover of Pta35.1bn was high, considering the August holiday period.

Analysts suggested that the [illegible] because of rate-rise possibilities, especially in Europe. The banking group, Argentaria, obviously rate sensitive, weakened [illegible], or [illegible] close at Pta5,500.

**STOCKHOLM**, too, [illegible] above its worst, in this case falls of around 3 per cent, with [illegible] General index down 25.20 at 1416.30, off 4.7 per cent on the week, in heavy turnover of SKr2.73bn. Analysts felt that the big mar[illegible] correction was over, and anticipated rises.

Written and [illegible] by William Cochrane, John Pitt and Saqib Qureshi

**FT-SE Actuaries Share Indices**

| Aug 12 | | | | | | | THE EUROPEAN SERIES | | |
|---|---|---|---|---|---|---|---|---|---|
| Hourly changes | Open | [illegible] | 11.00 | 12.00 | 13.00 | [illegible] | [illegible] | [illegible] | [illegible] |
| FT-SE Eurotrack 100 | [illegible] | [illegible] | [illegible] | 1342.49 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FT-SE Eurotrack 200 | [illegible] | [illegible] | 1397.03 | 1397.74 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| | Aug 11 | Aug 10 | Aug 9 | Aug [illegible] | Aug [illegible] |
|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | [illegible] | 1384.36 | 1393.35 | [illegible] | [illegible] |
| FT-SE Eurotrack 200 | [illegible] | 1432.72 | [illegible] | [illegible] | [illegible] |

Base 1000 (26/10/90) Highday: 100 - 1354.08; 200 - 1411.78 Lowday: 100 - 1340.74 200 - 1395.80

### SOUTH AFRICA

Rumours that [illegible] financial rand could be abolished over the weekend unnerved the markets in Johannesburg. The overall index shed 71 to 5,812, industrials lost 61 to 6,580 and golds 40 to 2,155.

ASIA PACIFIC

## Bombay's BSE index closes at record high

### Tokyo

A [illegible] in the [illegible] prompted profit-taking and arbitrage selling also dragged share prices lower. The Nikkei index reversed a two-day advance, although it still closed 0.7 per cent higher on the week, *writes Emiko Terazono in Tokyo.*

[illegible] 225 [illegible] declined 157.53 to 20,653.83 after a high of 20,825.07 and a low of 20,643.03. Some brokers tried [illegible] push the index up at the opening to support prices [illegible] options settlement, but profit-taking and arbitrage selling came in later.

Volume totalled 230m shares against 248m. The bulk of morning trading was linked to the options settlement, and afternoon volume was the lowest of the year. Public funds, which had supported activity during the week, were absent, while buying of steel and [illegible] by foreign investors remained small.

[illegible] Topix index of all first [illegible] fell 10.74 to 1,651.78 and the Nikkei 300 lost 2.25 to 300.20. Declines led advances by 659 to 266 with 216 unchanged and, in London, the ISE/Nikkei 50 index fell 3.10 to 1,333.27.

Arbitrage selling depressed bank stocks. Industrial Bank of Japan fell Y30 to Y3,010. Brokers were also easier, with Nomura Securities losing Y10 to Y2,250.

Chemical stocks [illegible] supported by foreign buying. Mitsubishi [illegible] gained Y2 to Y550 and Showa Denko [illegible] Y5 to Y374.

The rise in the yen to the Y100 level against [illegible] hurt high-technology electri[illegible]. Hitachi fell Y5 to [illegible], NEC lost Y50 to Y1,190 and Fujitsu declined Y10 to Y1,070.

In Osaka, the OSE average lost 133.75 to 22,964.61 in volume of 39.8m shares.

### Roundup

Positive performances [illegible] seen [illegible] region's markets yesterday.

**BOMBAY** [illegible] an all-time high, already enthused by good corporate results and normal monsoon rains, and encouraged further by heavy speculative buying.

[illegible] BSE index [illegible] at 4,508.15, up 113.88 [illegible] 2.6 per cent, a rise of 4.8 per cent on the week. Many local analysts expected the market to hit the 5,000 mark by the end of the [illegible] as foreign [illegible] returned and further good interim results came through. [illegible] international [illegible]lysts were slightly more bearish, fearing the weak political situation may depress any significant rises.

**HONG KONG** rebounded late in the session after hesitancy attributed [illegible] Monday's interims from HSBC, and Tuesday's meeting of the US FOMC.

The Hang Seng eased 59.98 to 9,464.56, down 1.4 per cent on the week, in turnover of HK$3.24bn.

**TAIPEI** fell back for the third successive session on nervousness prompted by central bank moves to tighten liquidity to prevent more funds flowing into the equity market. The weighted index fell [illegible], nearly 1 per cent, to 6,628.14 in moderate volume as the overnight interbank rate increased to 10.625 per cent.

The electronics sector was the worst hit having been overbought in previous sessions. Analysts sug[illegible] that the market would consolidate further before testing the 6,700 resistance level again. The market lost 4.2 per cent on the [illegible].

**MANILA** broke through the 3,000 level as strong liquidity and sound economic fundamentals pushed the index up 30.37 to close at 3,007.36 on volume of 4.1bn shares.

Analysts expected the mar[illegible] continue [illegible] improve next week when the required reserve on bank deposits are cut 3 per cent to 17 per cent on Monday.

**SYDNEY** closed lower on continuing fears of an imminent rise in domestic interest rates. The All Ordinaries index closed 10.9, or 0.5 per cent, lower at 2,051.9 in turnover of 150.1m shares, a loss of 1.9 per cent over the week.

[illegible] generally weaker. Westpac lost 4 cents to A$4.46 and the Commonwealth 17 cents to [illegible].

**SINGAPORE** rose in heavy trading as retail investors switched funds from Malaysian issues to local second-line stocks. The Straits Times Industrial index put on 17.76 to 2,317.79 in volume of 445.6m shares valued at [illegible], a gain of almost 2 per cent during the week.

### FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial [illegible] Ltd., Goldman, [illegible] & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock | THURSDAY AUGUST 11 1994 US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | [illegible] Div. Yield | WEDNESDAY AUGUST 10 1994 US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | DOLLAR INDEX 52 week High | 52 week Low | Year ago (approx) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Australia (68) | 176.36 | 0.2 | 170.58 | 112.72 | [illegible] | [illegible] | -0.6 | 3.50 | [illegible] | [illegible] | 112.52 | 144.04 | 158.04 | 189.15 | [illegible] | [illegible] |
| Austria (17) | 189.43 | -0.7 | 183.22 | 121.08 | [illegible] | [illegible] | 0.1 | [illegible] | [illegible] | 188.56 | 121.84 | [illegible] | [illegible] | [illegible] | [illegible] | 165.53 |
| Belgium (37) | 174.07 | -0.9 | 168.38 | 111.26 | [illegible] | 140.36 | -0.1 | 3.94 | 175.60 | 169.02 | 112.28 | [illegible] | [illegible] | 176.76 | [illegible] | 147.48 |
| Canada (105) | 128.75 | -1.0 | 124.53 | 82.29 | 106.24 | [illegible] | -0.8 | 2.84 | [illegible] | 125.17 | [illegible] | 108.46 | 129.40 | 145.31 | 120.54 | [illegible] |
| Denmark (33) | 260.55 | -2.5 | [illegible] | [illegible] | 215.00 | [illegible] | -1.5 | [illegible] | 267.22 | 257.20 | 170.87 | [illegible] | 225.74 | [illegible] | [illegible] | [illegible] |
| Finland (24) | 159.52 | -2.5 | [illegible] | [illegible] | [illegible] | [illegible] | -1.4 | 0.80 | 163.66 | [illegible] | [illegible] | [illegible] | [illegible] | 164.23 | [illegible] | [illegible] |
| France (97) | 174.12 | -1.7 | [illegible] | [illegible] | [illegible] | 148.45 | -1.0 | [illegible] | 177.21 | [illegible] | 113.31 | [illegible] | [illegible] | 185.37 | 159.13 | 160.65 |
| Germany (58) | 143.80 | -1.2 | 139.09 | 91.91 | 118.66 | 118.66 | -0.4 | 1.74 | [illegible] | 140.04 | [illegible] | 119.09 | [illegible] | 147.24 | 118.21 | [illegible] |
| Hong Kong (55) | 388.47 | -0.8 | 373.81 | [illegible] | 318.91 | 383.37 | [illegible] | [illegible] | [illegible] | [illegible] | 249.19 | 319.02 | 388.54 | 506.56 | 286.76 | 282.20 |
| Ireland (14) | 201.56 | -2.0 | 194.96 | 128.83 | 166.32 | [illegible] | -1.3 | 3.30 | 205.73 | [illegible] | 131.55 | 168.41 | [illegible] | 209.33 | [illegible] | [illegible] |
| Italy (61) | 80.19 | -1.6 | 77.56 | 51.25 | 66.17 | 95.58 | [illegible] | [illegible] | 81.38 | [illegible] | [illegible] | [illegible] | 96.42 | 97.76 | [illegible] | [illegible] |
| Japan (465) | 164.28 | 0.1 | 158.90 | 105.00 | 135.57 | 105.00 | 0.0 | 0.73 | 164.16 | [illegible] | [illegible] | 134.38 | [illegible] | 170.10 | 124.54 | [illegible] |
| Malaysia (98) | 540.79 | 2.4 | 523.08 | 345.66 | 446.26 | 533.50 | 1.6 | 1.54 | 529.40 | 508.59 | 337.87 | 432.54 | 525.18 | 621.83 | 361.96 | 363.02 |
| Mexico (18) | 2177.66 | -0.9 | 2106.33 | [illegible] | 1796.94 | [illegible] | [illegible] | [illegible] | 2198.15 | 2115.70 | 1405.53 | 1799.32 | 8142.53 | 2647.06 | 1615.11 | 1626.89 |
| Netherland (27) | 210.33 | -1.1 | 203.44 | [illegible] | [illegible] | 171.21 | [illegible] | 3.33 | 212.69 | [illegible] | [illegible] | 174.11 | 171.76 | [illegible] | [illegible] | [illegible] |
| New Zealand (14) | 70.27 | [illegible] | 67.97 | [illegible] | [illegible] | 62.16 | -1.3 | 3.84 | [illegible] | [illegible] | [illegible] | [illegible] | 62.96 | 77.59 | [illegible] | [illegible] |
| Norway (23) | 204.43 | -1.9 | 197.73 | 130.66 | 168.66 | [illegible] | [illegible] | 1.71 | 206.48 | [illegible] | [illegible] | 170.65 | 194.90 | 211.74 | 186.52 | 167.13 |
| Singapore (44) | 358.35 | 1.2 | 347.58 | [illegible] | 296.53 | [illegible] | 1.2 | [illegible] | 355.18 | [illegible] | 227.11 | 290.75 | [illegible] | [illegible] | [illegible] | [illegible] |
| South Africa (58) | 298.30 | -0.7 | [illegible] | [illegible] | 246.15 | 302.98 | -0.6 | 2.05 | [illegible] | 289.17 | [illegible] | 245.93 | 304.70 | 300.44 | [illegible] | [illegible] |
| Spain (42) | 146.14 | -1.8 | 141.36 | 93.41 | 120.69 | 144.98 | -0.9 | 3.98 | 148.76 | 143.18 | 95.12 | 121.77 | [illegible] | [illegible] | 121.28 | [illegible] |
| Sweden (36) | 214.27 | -3.1 | 207.25 | [illegible] | 176.81 | [illegible] | -1.7 | [illegible] | 221.03 | 212.75 | 141.33 | [illegible] | 254.48 | [illegible] | 175.93 | 184.29 |
| Switzerland (47) | 159.25 | -0.8 | [illegible] | 101.79 | [illegible] | 132.01 | 0.0 | 1.84 | 160.46 | 154.46 | 102.61 | 131.36 | [illegible] | 176.56 | [illegible] | 128.03 |
| United Kingdom (204) | 196.73 | -1.3 | [illegible] | 125.74 | 162.34 | [illegible] | -0.8 | 3.96 | 199.26 | 191.81 | [illegible] | [illegible] | 191.81 | 214.96 | [illegible] | 180.68 |
| USA (519) | 187.62 | -0.3 | 181.48 | [illegible] | 154.62 | [illegible] | [illegible] | 2.87 | 188.16 | 181.10 | [illegible] | 154.02 | [illegible] | 196.04 | [illegible] | 184.32 |
| EUROPE (720) | 170.85 | -1.4 | 165.26 | 109.20 | 140.98 | 155.51 | -0.7 | 2.99 | 173.24 | 166.74 | 110.77 | 141.61 | 156.59 | 178.58 | 149.46 | 149.46 |
| Nordic (116) | 211.07 | -2.8 | [illegible] | 134.91 | 174.17 | 209.78 | -1.6 | 1.42 | 217.06 | 206.93 | 138.80 | 177.89 | 213.11 | 222.03 | 172.32 | 172.32 |
| Pacific Basin (749) | 173.22 | 0.1 | [illegible] | 110.72 | 142.84 | 115.39 | 0.0 | 1.05 | 173.02 | [illegible] | 110.63 | [illegible] | 115.38 | 176.88 | 134.79 | [illegible] |
| Euro-Pacific (1[illegible]) | 172.10 | [illegible] | 166.46 | [illegible] | 142.01 | 131.51 | -0.3 | [illegible] | 172.98 | 166.50 | 110.81 | 141.60 | [illegible].87 | 173.89 | [illegible] | 158.10 |
| North America [illegible] | 183.97 | [illegible] | [illegible] | 117.69 | [illegible] | [illegible] | -0.3 | 2.86 | [illegible] | 177.63 | 118.01 | 151.07 | [illegible] | 192.73 | [illegible] | 180.75 |
| Europe Ex. UK [illegible] | 153.19 | -1.4 | 148.16 | 97.92 | [illegible] | [illegible] | -0.6 | 2.40 | [illegible] | 149.80 | 99.38 | 127.22 | 135.66 | 158.12 | [illegible] | [illegible] |
| Pacific Ex. Japan (280) | 260.76 | 0.3 | [illegible] | [illegible] | [illegible] | 231.99 | -0.1 | 2.79 | 259.88 | 250.14 | 166.17 | [illegible] | 232.02 | 296.21 | [illegible] | 196.82 |
| World Ex. US (1651) | 173.38 | -0.5 | [illegible] | 110.82 | 143.07 | [illegible] | [illegible] | [illegible] | 174.31 | 167.78 | 111.46 | 142.69 | [illegible] | [illegible] | 145.58 | 159.33 |
| World Ex. UK (1966) | 175.17 | -0.4 | [illegible] | 111.96 | 144.55 | 147.69 | -0.2 | [illegible] | 175.80 | 169.21 | 112.41 | [illegible] | [illegible] | [illegible] | [illegible] | 164.56 |
| World Ex. So. Af. (2111) | 176.32 | -0.4 | [illegible] | 112.70 | [illegible] | [illegible] | [illegible] | 2.23 | 177.11 | 170.47 | 113.25 | [illegible] | [illegible] | 178.56 | 158.54 | [illegible] |
| World Ex. Japan (1701) | [illegible] | -0.7 | [illegible] | 116.98 | 153.54 | 179.41 | -0.4 | [illegible] | [illegible] | [illegible] | [illegible] | 159.35 | 179.19 | 195.20 | 170.81 | 170.75 |
| The World Index (2170) | 177.08 | -0.6 | 171.29 | 113.18 | 146.12 | 151.55 | [illegible] | 2.22 | [illegible] | 171.21 | 113.74 | 145.60 | [illegible] | 178.97 | 158.85 | [illegible] |

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Latest prices were unavailable for this edition.

# LONDON EQUITIES

### LIFFE EQUITY OPTIONS

| Option | | Calls | | | Puts | | |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |
| BAT Inds | 420 | 31½ | 43 | 49 | 17½ | 22 | 31½ |
| [illegible] | 460 | 14 | [illegible] | [illegible] | 42 | 45½ | 55 |
| BTR | 380 | 28½ | [illegible] | 40 | 12½ | 15½ | 23 |
| (*377 ) | [illegible] | 13 | 20½ | 25 | 28 | 32 | 38½ |
| [illegible] | [illegible] | 30½ | 34½ | 39½ | 8½ | 16 | [illegible] |
| (*375 ) | 380 | 14 | [illegible] | 25 | [illegible] | 32½ | 34½ |
| Cadbury Sch | 460 | 28½ | [illegible] | 42 | 19½ | 23½ | 31 |
| (*466 ) | 500 | 9 | 16½ | 24½ | [illegible] | 48 | 54½ |
| Eastern Elec | 750 | 54½ | 70 | [illegible] | [illegible] | [illegible] | 52 |
| (*782 ) | [illegible] | 30 | 48½ | 61½ | [illegible] | 71 | 78½ |
| Guinness | 420 | 46 | [illegible] | 58 | 7½ | 12½ | 18 |
| (*453 ) | 460 | 21 | [illegible] | 34½ | 24½ | 29½ | 36½ |
| GEC | 280 | 18½ | 20½ | 26 | 12 | 18½ | 18½ |
| (*280 ) | 300 | [illegible] | 12 | 17 | 24 | 28 | 30 |
| [illegible] | | | | | | | |
| (*676 ) | [illegible] | 23 | 47½ | 62 | 41 | 55 | 65 |
| Option | | Oct | Jan | Apr | Oct | Jan | Apr |
| Glaxo | 600 | 43 | 58½ | 65½ | 30 | 41 | 54½ |
| (*622 ) | 650 | [illegible] | [illegible] | 44 | 61 | 71 | 84 |
| HSBC 75p shs | 750 | 55½ | 76½ | [illegible] | [illegible] | 62 | 85 |
| [illegible] | 800 | 34 | 56½ | 72½ | 75 | 90 | 115 |
| Reuters | 4875 | 28 | – | – | 21½ | – | – |
| (*4900) | 5000 | 22 | 35½ | 47½ | 27½ | 35 | 43½ |
| Option | | Nov | Feb | May | Nov | Feb | May |
| Rolls-Royce | 180 | 25½ | [illegible] | [illegible] | 6 | 9½ | [illegible] |
| [illegible] | 200 | 13 | 18½ | 23 | 15 | 18½ | 22½ |

* Underlying security price. Premiums shown are based on closing offer prices.
August 12. Total contracts: 35,462 Calls: [illegible] Puts: 22,746

### RISES AND FALLS

| | On Friday Rises | Falls | Same | On the week Rises | Falls | Same |
|---|---|---|---|---|---|---|
| British Funds | [illegible] | [illegible] | 3 | 97 | [illegible] | [illegible] |
| Other Fixed Interest | 0 | 0 | 16 | 0 | 3 | 72 |
| Mineral Extraction | 19 | 107 | 74 | 257 | 311 | 492 |
| General Manufacturers | 80 | 179 | 367 | 646 | [illegible] | [illegible] |
| Consumer Goods | [illegible] | 38 | 110 | 209 | 178 | 548 |
| [illegible] | 65 | 101 | 320 | 473 | 443 | 1,614 |
| U[illegible] | 24 | 11 | 10 | 85 | 84 | 56 |
| Financials | 46 | [illegible] | 160 | 402 | 466 | 970 |
| Investment Trusts | 36 | 145 | [illegible] | 416 | 401 | [illegible] |
| Others | 11 | 75 | [illegible] | 201 | 216 | 234 |
| [illegible] | 359 | 846 | 1,426 | 2,765 | [illegible] | [illegible] |

Data based on those companies listed on the London Share Service.

### TRADITIONAL OPTIONS

| | | | |
|---|---|---|---|
| First Dealings | August 5 | Expiry | [illegible] 10 |
| Last Dealings | August 19 | Settlement | November 24 |

Calls: Alvis, Bank of Ireland, Ennex Intl., Tullow Oil Puts: Bank of Ireland, Tullow Oil Put & Call: Alvis

### LONDON RECENT ISSUES: EQUITIES

| Issue price p | Amt paid up | Mkt. cap (£m.) | 1994 High | Low | Stock | Close price p | +/- | Net div. | Div. cov. | Grs yld | P/E net |
|---|---|---|---|---|---|---|---|---|---|---|---|
| – | F.P. | 26.5 | 100 | 98 | ‡Aromascan | 98 | | – | – | – | – |
| – | F.P. | [illegible] | 89 | 83 | [illegible] Wrts | [illegible] | | – | – | – | – |
| 100 | F.P. | 19.4 | [illegible] | 100 | Beacon Inv Tst | [illegible] | | – | – | – | – |
| – | F.P. | 1.71 | [illegible] | 43 | Do. Warrants | [illegible] | | – | – | – | – |
| [illegible] | F.P. | [illegible] | 31 | 21 | Camel | 26 | | – | – | – | – |
| – | F.P. | 26.5 | 58 | 52 | Emrg Mkts Country | 53 | | – | – | – | – |
| – | F.P. | 3.40 | 36 | 26 | Do. Warrants | 34 | | – | – | – | – |
| – | F.P. | 6.90 | 71 | 69 | Freeport | 70 | | – | – | – | – |
| – | F.P. | 32.2 | 94 | 91 | [illegible] Jpn Disc | 92 | -1 | – | – | – | – |
| – | F.P. | [illegible] | 50 | 42 | Do. Warrants | 46 | | – | – | – | – |
| – | F.P. | [illegible] | [illegible] | 238 | Ideal Hardware | [illegible] | | N8.4 | [illegible] | [illegible] | [illegible] |
| – | F.P. | – | 77 | 63 | JF Fl [illegible] Wrts | [illegible] | | – | – | – | – |
| 3 | F.P. | 1.87 | 3½ | 3 | John Mansfield | [illegible] | +¼ | – | – | – | – |
| – | F.P. | 16.3 | 39½ | 35 | ‡Magnum Power | 39 | | – | – | – | – |
| 100 | F.P. | 67.2 | [illegible] | 94 | Old Mutual SA | 96 | -1 | – | – | – | – |
| – | F.P. | [illegible] | 46 | 43 | Do Warrants | [illegible] | -½ | – | – | – | – |
| 28 | F.P. | 10.6 | 31 | 29 | Orbis | 29 | | – | – | – | – |
| [illegible]90 | F.P. | [illegible] | 95 | 90 | Panther | 90 | -1 | N2.78 | – | 3.9 | – |
| – | F.P. | [illegible] | 17 | 5½ | Do. Warrants | 17 | | – | – | – | – |
| – | F.P. | 1.26 | 40 | 39 | Petroceltic | 40 | | – | – | – | – |
| – | F.P. | 120.6 | 97 | 91 | Schroder Japan G | 96½ | -½ | – | – | – | – |
| – | F.P. | 12.5 | 52 | 42 | Do Warrants | 50 | | – | – | – | – |
| – | F.P. | 4.67 | 44 | 40 | [illegible] Wrts [illegible] | 40 | -2 | – | – | – | – |
| [illegible] | F.P. | 3.61 | 102 | 97 | TR Euro Gth Ptg | [illegible] | | – | – | – | – |
| [illegible] | F.P. | 1,619.5 | 315½ | 280 | 3i | 3[illegible] | -1 | N8.84 | 1.1 | 2.8 | 38.1 |
| – | F.P. | 2.64 | 35 | 29 | Tops Ests Wrts | 33 | | – | – | – | – |
| – | F.P. | 55.4 | 49 | 34 | VideoLogic | 40½ | | – | – | – | – |
| 140 | F.P. | [illegible] | 180 | 148 | Yates Bros Wine | 173 | | L3.0 | 2.7 | 2.2 | 21.4 |

### RIGHTS OFFERS

| Issue price p | Amount [illegible] up | [illegible] date | High | Low | [illegible] | Closing price p | +or- |
|---|---|---|---|---|---|---|---|
| 8 | [illegible] | 24/8 | 1½pm | 1¼pm | BCE | 1¼pm | |
| 85 | [illegible] | [illegible] | 12pm | 8pm | CRT | 8pm | -1 |
| – | [illegible] | – | 5pm | 4pm | Freeport | 5pm | |
| 15 | Nil | 22/9 | 4pm | 2pm | [illegible] | [illegible] | |
| 60 | Nil | [illegible] | 11pm | 3pm | P & P | 7pm | |
| [illegible] | Nil | [illegible] | 2½pm | 1pm | Prestwick | 2½pm | |
| 1⅛ | Nil | – | ¼pm | ¼pm | Surrey Group | ¼pm | |
| 190 | Nil | 12/9 | 23pm | 18pm | Waddington (J) | 18pm | |

### FT GOLD MINES INDEX

| | Aug 11 | % chg on day | [illegible] 10 | [illegible] 9 | Year [illegible] | [illegible] div yield % | 52 week High | Low |
|---|---|---|---|---|---|---|---|---|
| Gold Mines Index (36) | 1944.63 | [illegible] | 1942.79 | 1934.91 | 1893.73 | 2.19 | 2367.40 | 1522.66 |
| ■ Regional Indices | | | | | | | | |
| Africa (16) | 2994.60 | -1.5 | 3025.46 | 2975.23 | 2438.42 | [illegible] | 3440.80 | 1902.23 |
| Australasia (8) | 2537.84 | -0.3 | 2546.2[illegible] | 2571.33 | 2384.40 | [illegible] | 3013.89 | 1893.18 |
| North America (12) | 1546.88 | [illegible] | 1533.01 | 1532.82 | 1647.94 | [illegible] | 2039.65 | 1383.00 |

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Figures in brackets show number [illegible] companies. Basis US Dollars. Base Values: 1000.00 31/12/92. Predecessor Gold Mines Index: Aug 12: 236.9 ; day's change: -0.7 points: Year ago: 190.4 † Partial. Latest prices were unavailable for this edition.

### FINANCIAL TIMES EQUITY INDICES

| | Aug 12 | Aug 11 | Aug 10 | Aug 9 | Aug [illegible] | Yr ago | *High | *Low |
|---|---|---|---|---|---|---|---|---|
| Ordinary Share | 2469.2 | [illegible] | 2478.2 | 2474.1 | 2477.0 | 2360.7 | 2713.6 | 2240.6 |
| Ord. div. yield | [illegible] | 4.11 | 4.07 | 4.08 | 4.07 | 3.92 | 4.46 | [illegible] |
| Earn. yld. % full | [illegible] | 5.67 | 5.52 | 5.53 | 5.47 | 4.72 | 5.95 | [illegible] |
| P/E ratio net | [illegible] | 19.12 | [illegible] | 19.27 | 19.49 | [illegible] | 33.43 | [illegible] |
| P/E ratio nil | 19.93 | 19.87 | [illegible] | 20.03 | [illegible] | 25.06 | [illegible] | 18.61 |

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

| [illegible] | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | [illegible] | 16.00 | [illegible] | Low |
|---|---|---|---|---|---|---|---|---|---|---|
| 2445.4 | 2454.4 | 2454.8 | 2446.8 | [illegible] | 2455.9 | [illegible] | 2465.0 | [illegible] | 2469.7 | 2443.0 |

| | Aug [illegible] | Aug 11 | Aug 10 | Aug 9 | Aug 8 | Yr ago |
|---|---|---|---|---|---|---|
| SEAQ bargains | 28,181 | 29,000 | [illegible] | 27,840 | 28,206 | 45,250 |
| Equity turnover [illegible] | - | - | 1359.4 | 1522.9 | [illegible] | 1553.5 |
| Equity bargains† | - | - | 30,090 | 31,070 | [illegible] | 52,190 |
| Shares traded (mi)† | - | - | 540.2 | 556.4 | 458.4 | 690.6 |

†Excluding intra-market business and overseas turnover, unavailable 11/8 due to technical problems.

## LONDON SHARE SERVICE

### BANKS

| | Notes | Price | + or – | 1994 high | 1994 low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| ABN Amro Fl | | £22$\frac{1}{16}$ | +$\frac{1}{32}$ | £28¼ | £20$\frac{11}{16}$ | 6,672 | 6.1 | ϕ |
| ANZ A$ | | 195 | –4 | 278¼ | 179¼ | 2,885 | 4.9 | 29.0 |
| Abbey National | †N□ | 399 | +5 | 523 | 381 | 5,234 | 4.9 | 13.2 |
| Allied Irish I£ | ‡†N□ | 247 | –3 | 314 | 234 | 1,827 | 5.2 | 9.3 |
| Anglo Irish I£ | M N□ | 57 | — | •78 | 50 | 198.2 | 7.5 | 10.4 |
| Asahi Y | | 780¾ | +3¼ | 819¾ | 628 | 18,128 | 0.6 | ϕ |
| Banco Bil Viz Pta | | £15$\frac{1}{2}$ | –$\frac{1}{32}$ | £18$\frac{7}{16}$ | £14$\frac{1}{2}$ | 3,509 | 5.5 | 6.7 |
| Banco Sant Pta | | £26$\frac{1}{3}$ | — | •£30½ | £23¾ | 3,953 | 5.5 | 9.1 |
| Bk Ireland I£ | ‡□ | 287 | –4 | •319 | 246 | 1,281 | 4.9 | 7.7 |
| Bank Scotland | ‡N□ | 185 | –1 | 247 | 172½ | 2,158 | 3.4 | 15.1 |
| 9¼pc Pf | | 114 | –¼ | [illegible] | 114 | 114.0 | 10.1 | – |
| 9¾pc Pf | | 119¼ | –¼ | [illegible] | 119¼ | 119.2 | 10.2 | – |
| Barclays | ‡†N□ | 547 | –1½ | [illegible] | 487 | 8,888 | 3.9 | 16.6 |
| Dai Ichi Kan Y | | £12$\frac{1}{8}$ | — | £12$\frac{3}{4}$ | £10$\frac{1}{2}$ | 38,033 | 0.5 | – |
| Deutsche DM | | £293¾ | +3$\frac{1}{2}$ | £344¼ | £270$\frac{1}{2}$ | 13,984 | 2.3 | – |
| Espirito Santo | | 25⅝xc | –$\frac{1}{2}$ | •£13$\frac{1}{2}$ | £8$\frac{1}{2}$ | 210.9 | 3.9 | 4.8 |
| First Nat Fin | N□ | 68xd | — | •90 | 60 | 111.4 | 2.8 | – |
| 6.3pc Cv Pf | | 77 | — | •88 | 77 | 5.16 | 10.2 | – |
| 7pc Cv Pf | | 125½ | — | 171 | 123 | 59.6 | 7.0 | – |
| Fuji Bank Y | | 1492 | –4¼ | 1549¼ | 1152½ | 43,224 | 0.4 | ϕ |
| HSBC HK | N□ | 772 | –8 | 1133 | 680 | 13,510 | 3.8 | 11.2 |
| HSBC (75p Shs) | N□ | 769 | –5 | 1113 | 650 | 6,457 | 3.9 | 11.0 |
| Lloyds | †N□ | 545xd | –2 | 660 | 519 | 7,052 | 5.3 | 10.7 |
| Mitsubishi Y | | £16⅞ | +$\frac{1}{8}$ | £18$\frac{3}{4}$ | £15⅝ | 48,800 | 0.3 | ϕ |
| Mits Tst & Bk Y | | 976½ | –89½ | 1182¼ | 887½ | 11,700 | 0.5 | 75.2 |
| Mitsui Tst & Bk Y | | 782½ | –24 | 879 | 514 | 9,375 | 0.7 | 25.9 |
| Nat Aust A$ | † | 528 | –13 | 620¼ | 489¾ | 7,057 | 5.4 | 11.0 |
| NatWest | †N□ | 459xd | +1 | 622 | 421 | 7,468 | 5.4 | 8.4 |
| Ottomane FFr | | £22 | –1½ | £33 | £22 | 110.0 | 6.8 | ϕ |
| Ryl Bk Scotland | ‡†N□ | 395 | +5 | 528 | 377½ | 3,180 | 3.8 | 17.9 |
| Sakura Y | | £9$\frac{1}{16}$ | –$\frac{1}{32}$ | £9$\frac{1}{2}$ | £8$\frac{1}{16}$ | 30,053 | 0.6 | 55.0 |
| Sanwa Y | | £14$\frac{1}{16}$ | — | £15⅝ | £11⅞ | 40,794 | 0.4 | ϕ |
| Standard Chartd | †N□ | 247 | — | •358¼ | 223 | 2,373 | 3.3 | 10.7 |
| 7 3/8pc Prf | | 90 | –¼ | 108½ | 88¼ | 90.0 | 10.2 | – |
| Sumitomo Y | | £12$\frac{1}{2}$ | — | £18⅛ | £11½ | 40,719 | 0.4 | 27.1 |
| Sumitomo Tst Y | | 918¼ | –30¼ | 1148½ | 625 | 11,421 | 0.6 | ϕ |
| TSB | †N□ | 210½ | +½ | 261 | 187 | 3,222 | 4.8 | 10.4 |
| Tokai Y | | £8$\frac{1}{2}$ | — | £9 | £7$\frac{1}{2}$ | 17,336 | 0.7 | 42.4 |
| Toyo Tst & Bk Y | | 808¼ | +1¼ | 852 | 586¼ | 8,352 | 0.6 | 70.1 |
| Westpac A$ | | 214 | –6 | 280 | 194 | 3,895 | 2.5 | ϕ |
| Yasuda Tst Bk Y | ‡ | 691¼ | +7¼ | 855 | 442 | 6,527 | 0.8 | 51.3 |

### BREWERIES

### BUILDING & CONSTRUCTION

### BUILDING MATS. & MERCHANTS

### CHEMICALS

### DISTRIBUTORS

### DIVERSIFIED INDUSTRIALS

### ELECTRICITY

### ELECTRONIC & ELECTRICAL EQPT

### ELECTRONIC & ELECTRICAL EQPT - Cont.

### ENGINEERING

### ENGINEERING, VEHICLES

### EXTRACTIVE INDUSTRIES

### FOOD MANUFACTURERS

### GAS DISTRIBUTION

### HEALTH CARE

### HEALTH CARE - Cont.

### HOUSEHOLD GOODS

### INSURANCE

### INVESTMENT TRUSTS

### INVESTMENT TRUSTS - Cont.

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# LONDON SHARE SERVICE

## INVESTMENT TRUSTS - Cont.

## OTHER INVESTMENT TRUSTS

## INVESTMENT COMPANIES

## LEISURE & HOTELS

## LEISURE & HOTELS - Cont.

## LIFE ASSURANCE

## MEDIA

## MERCHANT BANKS

## OIL EXPLORATION & PRODUCTION

## OIL, INTEGRATED

## OTHER FINANCIAL

## OTHER SERVICES & BUSINESSES

## PHARMACEUTICALS

## PRINTING, PAPER & PACKAGING

## PROPERTY

## PROPERTY - Cont.

## RETAILERS, FOOD

## RETAILERS, GENERAL

## SPIRITS, WINES & CIDERS

## SUPPORT SERVICES

## TELECOMMUNICATIONS

## TEXTILES & APPAREL

## TOBACCO

## TRANSPORT

## TRANSPORT - Cont.

## WATER

## AMERICANS

## CANADIANS

## SOUTH AFRICANS

| | Notes | Price | + or - | 1994 high | 1994 low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Anglo Am Ind | | £27 | ---- | £27½ | £13½ | 1,780 | 2.7 | 19.7 |
| Barlow | Z | 541½ | ---- | 691½ | 521½ | 902.8 | 0.7 | – |
| Gold Flds Prop R | | 112 | ---- | 113 | 76 | 71.8 | 8.4 | ϕ |
| MK Props. | § | 88 | ---- | 88 | 65 | 3.42 | 10.6 | 34.9 |
| SAGOL | ♥ | 394 | ---- | 403 | 280 | 2,239 | 3.6 | – |
| SA Brews | | £12½ | ---- | £15½ | £10 | 3,403 | 2.2 | 20.4 |
| Tiger Oats | † | 820 | +7 | 838 | 538 | 932.3 | 2.5 | 13.1 |
| Tongaat-Hulett | | 681 | ---- | 739½ | 427½ | 517.2 | 2.3 | 19.0 |

## GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below
- § USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ¶ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ◆ Merger bid or reorganisation in progress
- Forecast dividend yield, p/e based on earnings updated by latest interim statement.
- ◆ Unregulated collective investment scheme.

a Yield based on assumed dividend. i Figures based on prospectus or other official estimates. c Cents. f Flat yield. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.

v Not subject to ACT. x Dividend yield includes a special payment. y Yield based on prospectus or other official estimates for 1994-95. G Assumed dividend yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1993. K Yield based on prospectus or other official estimates for 1994. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1993-94.

N Figures based on prospectus or other official estimates for 1994. P Figures based on prospectus or other official estimates. R Forecast annualised dividend. S Yield based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xp ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion.

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FINANCIAL TIMES
Weekend August 13/August 14 1994



Technology offered in exchange for guarantees

# Deal proposed to end Korean nuclear dispute

By Bernard Gray in London, Jeremy Kahn in Washington and John Burton in [redacted]

The US and North Korea are considering a draft agreement that would include a [redacted] of western nuclear technology in return for freezing its home-[redacted] nuclear programme, which [redacted] suspected to include weapons development.

Negotiators trying to [redacted] the [redacted] nuclear dispute were [redacted] to a meeting in [redacted] to reconsider a provisional [redacted] after Pyongyang had raised last-minute objections.

The draft [redacted] thought to include a proposal that [redacted] will [redacted]lish relations with [redacted] Korea and supply it with [redacted] technology, if the north suspends [redacted] present nuclear programme.

However, several important [redacted] remain [redacted] be resolved and US [redacted] were [redacted] yesterday [redacted] assessing the [redacted]. The proposed [redacted] not remove [redacted] bomb-making [redacted]ity [redacted] North Korea. Pyongyang has not yet agreed to [redacted] full inspection of [redacted] nuclear [redacted].

Mr [redacted] Gallucci, head of the US delegation, [redacted] "We [redacted] working [redacted] capture in writing the level and areas [redacted] agreement . . . recognising [redacted] there are other quite important areas in which we still [redacted] not have [redacted] agreement [with [redacted] Korea]."

The deal would involve North [redacted] shutting [redacted] graphite nuclear [redacted] produce high-quality plutonium [redacted] can be used in nuclear weapons. In return, the US would help supply the technology for a [redacted] of the type commonly [redacted] in [redacted].

[redacted] produce [redacted] quality plutonium, which [redacted] harder [redacted] and [redacted] moni-tor by international observers. The [redacted] would [redacted] include [redacted] recognition of North [redacted], ending [redacted] diplomatic [redacted].

However, [redacted] (£1.2bn) [redacted] of a large [redacted]. North [redacted] additional compensation for ending construction of [redacted] large graphite [redacted].

Plutonium which [redacted] has already produced is not [redacted]ered by the agreement. [redacted] hoped to [redacted] a preliminary [redacted] of [redacted] currently corroding in cooling ponds. [redacted] could [redacted] a signifi-[redacted].

The US would like to send the [redacted] country, perhaps China, [redacted] reprocessing so [redacted] Korea cannot secretly [redacted] plutonium [redacted] them. Pyongyang [redacted] in concrete but resists transporting [redacted] outside [redacted] country.

North [redacted] is apparently pre-[redacted] bury [redacted] spent [redacted] in [redacted] prevent [redacted] leakage, [redacted] of reprocessing [redacted] early [redacted] month. US [redacted] rods contain enough plutonium [redacted] produce [redacted] nuclear [redacted].

The US Central Intelligence Agency thinks [redacted] may have already produced [redacted] devices by reprocessing [redacted] rods. [redacted] provisional deal, [redacted] North [redacted] nuclear pro-[redacted] thus [redacted] rather than [redacted].

## Canadian insurer

[redacted] from [redacted] 1

ance [redacted] Winnipeg, which [redacted] capital injection. The [redacted] group of 10 [redacted] insurers [redacted] month when [redacted] apparent that [redacted] company required [redacted] as [redacted] survive. The [redacted] unable [redacted] agree, however, [redacted] how to [redacted] Confed's assets [redacted].

[redacted] heavy capital [redacted] as a result of commercial property lending during the [redacted]. It wrote off C$232m in loan [redacted] in 1992 [redacted] 1993, but still [redacted] more than C$800m of [redacted] performing loans on its books. It had [redacted] under management at [redacted] of 1993.

## Russian loan

Continued from Page 1

and the problem has worsened since the government tightened [redacted] its spring agreement with the IMF. In [redacted] companies have been unable to [redacted] their workers, raising the prospect [redacted] social unrest.

One [redacted] financial [redacted] of [redacted] debt: "It clearly cannot be allowed to go on because otherwise it could lead to a total collapse of the Russian [redacted]omy."

Mr Yeltsin's [redacted] a sign [redacted] the government [redacted] be departing from [redacted] market reform path it appeared [redacted] earlier this year.

## Electronic war of words heads from computer to court

By Motoko Rich

A virtual war of words in cyberspace [redacted] heading for [redacted] real confrontation in [redacted] courtroom.

A London physics lecturer [redacted] suing [redacted] former colleague for libel on [redacted] Internet, a self-regulating global computer network where millions of [redacted] exchange [redacted]demic ideas, political opinions, and increasingly, insults.

No date has been set for the case but if the suit goes to trial in [redacted] High Court in London it could expand the definitions of UK libel law and [redacted] the legal potholes in the information superhighway. Other [redacted] already challenged libel laws in [redacted] US and Australia.

Usenet, the part of the [redacted] where [redacted] alleged libellous com-[redacted] appeared, [redacted] sometimes known [redacted] the world's largest electronic conference. It [redacted] of a series of "news groups" in which an estimated 16m [redacted] can post [redacted] and debate special [redacted].

Within this conference setting, a culture of "flaming" – the reck-[redacted] exchange of insults – [redacted] arisen. Because [redacted] are sent to [redacted] which are accessible to almost all [redacted], rather than individuals, [redacted] users are aired in public.

Mr [redacted] Braithwaite, a media lawyer [redacted] London solicitors [redacted] Chance, [redacted] forget their private vendet-[redacted] on [redacted] Usenet [redacted] out in [redacted].

"They think they [redacted] having a private conversation [redacted] it [redacted] they are using a megaphone," he said.

In the [redacted] case, Dr Laurence Godfrey, [redacted] nuclear physi-[redacted] at the German [redacted] Syn-[redacted] Laboratory [redacted] Hamburg, has issued a writ against [redacted] Phillip Hallam-Baker, a researcher at Cern, [redacted] European nuclear physics laboratory in Geneva, claiming damages for libel or [redacted].

Dr Godfrey is suing for alleged [redacted] about his professional work which he [redacted] were made by Dr Hallam-Baker on seven separate occasions between April and July of last year on the Usenet. Dr Hallam-Baker [redacted] said the case will [redacted] defended.

Dr Godfrey [redacted] he distinguished between insults [redacted] libel.

"The everyday insults [redacted] libel and I do not take exception with them," he said. "It [redacted] allegations of an untrue [redacted] that I [redacted] suing about."

In a separate [redacted] however, Dr Godfrey himself [redacted] being sued by Carleton University and [redacted] University [redacted] Ontario, Canada, for Internet [redacted] which [redacted] in [redacted] of confidence.

## Mercury Asset Mgt punishes its parent over Lasmo

By Robert Peston

Mercury Asset Management has taken the unprecedented step of punishing [redacted] parent company, S.G. Warburg, for the way Warburg managed Enterprise [redacted] failed bid for [redacted].

For the past month, MAM has cut the business in UK share trading that it gives Warburg to the minimum required by law. The fund management group, 75 per cent owned by Warburg, took the decision because of its fury that the securities firm did not buy any of MAM's Lasmo shares when it bought 10 per cent of the oil group on behalf of Enterprise seven weeks ago.

Warburg's unusual decision to buy the 10 per cent from only [redacted] institutions, rather than [redacted] up [redacted] more widely [redacted] the market, [redacted]raged MAM [redacted] shareholders. Anger over the way Warburg handled [redacted] pur-[redacted] contributed to the [redacted]quent failure [redacted] Enterprise's £1.6bn takeover bid for Lasmo.

MAM, among the biggest fund managers in the UK with more than £60bn under its control, could not impose an absolute embargo on dealing with Warburg because it has a legal duty to its clients to trade with any City firm offering the best prices. However, it has been giving Warburg a fraction of its normal level of business in UK shares. MAM has continued to deal with its parent in the securities of overseas companies.

Warburg said yesterday that its trading with MAM has this week returned to normal levels.

Disclosure of MAM's actions is the latest in a stream of embarrassments for Warburg stemming from its decision to buy the 10 per cent of Lasmo at above the market price from the five institutions - PDFM, Capital Group, Legal & General, Sun Life and British Gas. The purchase of 8 per cent from PDFM alone was particularly galling to other Lasmo shareholders.

Warburg last week agreed to pay £250,000 to Rwanda charities to settle a dispute with Swiss Banking Corporation, which had complained to the London Stock Exchange that Warburg should have purchased its Lasmo shares, since it had left a "limit order" with Warburg.

A special sub-committee of the exchange's domestic equity rules committee had earlier ruled in SBC's favour, but Warburg refused to pay the £750,000 claimed by SBC. It made an offer to SBC of £250,000.

SBC turned this down, but said [redacted] would settle if [redacted] £750,000 to charity. Mr John Kemp-Welch, exchange chairman, put pressure on both firms to settle, to avoid an appeal to the professional standards committee. SBC finally said it would drop the matter if Warburg paid £250,000 to charity.

THE LEX COLUMN

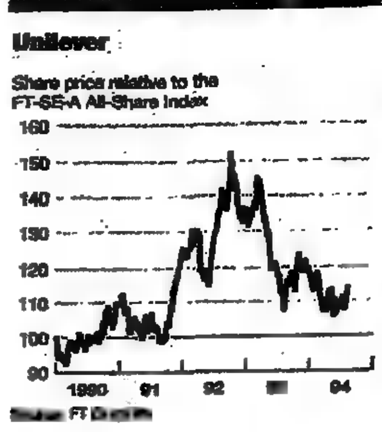
# Summer storms

The theory that the worst of the jitters [redacted] rising [redacted] rates could [redacted] suddenly [redacted] plausible. Bond markets [redacted] Europe [redacted] Thursday, dragging equities [redacted] their wake, following [redacted] in Italian and Swedish rates. Wall [redacted] is still restive at the thought that [redacted] rates [redacted] again. The [redacted] 100 index lost only 25 points on the week after staging a strong [redacted] yesterday [redacted]. With both [redacted] and [redacted] Federal [redacted] meeting [redacted] week, though, [redacted] remains [redacted].

The relatively [redacted] in London equities [redacted] comfort. Every day brings brighter news on corporate earnings. This week [redacted] stage belonged to the banks and insurance companies, which [redacted] in turns [redacted] profits [redacted]. Industrial companies [redacted] – [redacted] yesterday [redacted] Unilever – [redacted] starting [redacted] enjoy [redacted] upturn. The prospects [redacted] utilities are equally good following painless price [redacted] by [redacted] electricity industry regulators. [redacted] growth forecasts of around [redacted] per cent for the market as a whole this year are a powerful support.

Yet [redacted] equities will [redacted] while [redacted] on edge. [redacted] of [redacted] pound against [redacted] – down [redacted] yesterday – [redacted] strength of [redacted] currency rather [redacted] in sterling. [redacted] by [redacted] in rates, [redacted] soothing.

FT-SE Index: 3142.3 [redacted]




[redacted] FT Graphite

## Unilever

[redacted] is becoming [redacted] for Unilever's shares to move 5 per cent [redacted] quarterly figures. In May they fell 57p, yesterday they rose 55p. The jump this time was partly due to relief that there was no obvious damage from the European soap wars. On the contrary, Unilever's decision to turn off the promotional spending in markets where the introduction of Omo Power [redacted] badly probably [redacted] short-term profits actually benefited from the fuss. Since concentrated fabric powders represent less than 2 per cent of Unilever's turnover, it is not material anyway.

More important are signs that volume growth across the group has turned up. After [redacted] growth fall [redacted] 2½ per cent in the first half [redacted] last year to 1¼ per cent in the second it is now creeping back up to 2 per cent. The South American and Asian [redacted] stepped up [redacted] and in [redacted] growth is [redacted] group target of 4 [redacted]. But [redacted] consumer [redacted] on both [redacted] of [redacted] to respond and while the detergent price war in [redacted] US [redacted], Unilever's main [redacted] are likely to remain competitive even when economic recovery [redacted] through.

While [redacted] cost-[redacted] announced in February should [redacted] in strongly next [redacted] earnings growth is unlikely to match companies more [redacted] European economic recovery. Despite the solid long-term prospects, the share's modest rating is only to be expected at this stage in the cycle.

## UK brewing

Pubs without [redacted] were a bit quiet in July as drinkers stayed in to [redacted] World Cup. But [redacted] are [redacted] feeling better about life. Summer trading generally [redacted] to [redacted] reasonable, helped by [redacted] weather. There are also signs that the wholesale price [redacted] abating, [redacted] comes to supplying smaller pub operators. However, [redacted] big independent pub chains, such as Greenalls and Boddingtons, [redacted] thought still [redacted] getting very [redacted] and given the overcapacity in the industry it is likely that the [redacted] will remain under pressure.

Against that background it is somewhat surprising that regional [redacted] pub operators [redacted] to underperform [redacted] parts over [redacted] couple [redacted] months. In part that may merely [redacted] fact that large stocks have led the stock market rally. The shares [redacted] several of [redacted] division [redacted] have suffered from the sale of Whitbread's stakes in March.

Either way the smaller fry look [redacted]tively cheap. Yet the pub operators appear well-placed as [redacted] spending recovers while [redacted] like Marston are showing there is good growth to be had for those with strong [redacted] prices [redacted] make little [redacted]ance for industry restructuring. Other regionals must be considering pulling [redacted] brewing [redacted] Greenalls' ambi-[redacted] not been satisfied by [redacted] year's acquisition of Devenish.

## C&G

Cheltenham [redacted] Gloucester might fairly claim [redacted] be the victim of [redacted] quality legislation. But the performance [redacted] which it [redacted] in restructuring [redacted] offer from Lloyds Bank [redacted] about valu-[redacted] and [redacted]. Although consummation of the deal has been pushed [redacted] by three months, the price [redacted] been left at £1.8bn. Lloyds will thus enjoy a better [redacted] in two ways. The time value [redacted] money will [redacted] price less [redacted] C&G's net [redacted] will [redacted] boosted by a further three months of [redacted] earnings. [redacted] Lloyds will squander less on goodwill.

The [redacted] involved may [redacted] be [redacted] the fact [redacted] it has been wholly ignored in the revision suggests a degree of imprecision in the original valuation. The trouble [redacted] C&G members have little to [redacted] on [redacted] they vote. Moreover they [redacted] now in the clear knowledge that the distribution [redacted] random and arbitrary. Under a scheme designed [redacted] meet the requirements of [redacted] law, [redacted] will be denied any share of the proceeds. Some non-member depositors will [redacted].

In a rational [redacted] it ought [redacted] be possible for a bank [redacted] buy a building society. [redacted] why [redacted] be ring-fenced by protective legislation. One [redacted] which would have made valuation easier [redacted] ensured a fairer distribution of [redacted]fits would have been for C&G to begin the process by de-mutualisation [redacted] public flotation. Once again, [redacted] law prevents this by insisting on a five-[redacted] period [redacted] newly-floated [redacted] can [redacted] taken over. It really is an [redacted].

FT WEATHER GUIDE

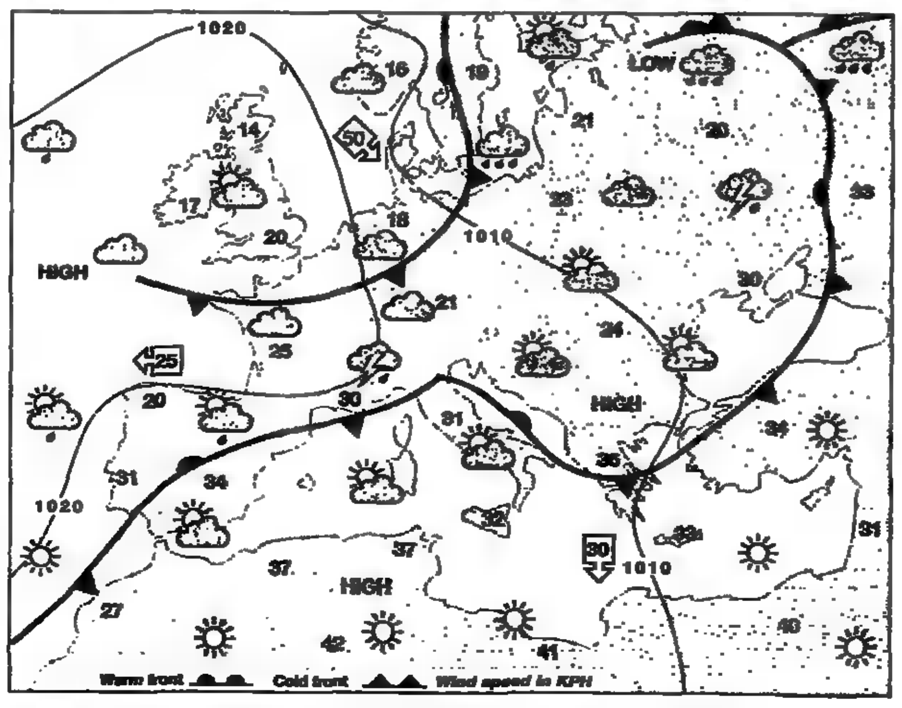
## Europe today

[redacted] strong [redacted] near [redacted] north-westerly [redacted] will buffet the [redacted] Low [redacted] rain. [redacted] the Benelux [redacted] Germany will [redacted] with thunder. [redacted] will [redacted] some [redacted] and widespread [redacted]. [redacted] will be plenty [redacted] in southern France, although [redacted] thunder storms could develop. Spain, Italy and [redacted] Balkans will be sunny. The UK will have pleasant [redacted] with some cloud and gentle [redacted] winds.

## Five-day forecast

In the UK, high pressure will develop over the [redacted] bringing [redacted] conditions. The high pressure system will move to southern Scandinavia [redacted] the beginning [redacted] will improve in [redacted] and Germany. Windy and [redacted] conditions will spread [redacted] Finland and north-western Russia and [redacted] expected.

[redacted] will return to [redacted] UK [redacted] week as disturbances approach from the Atlantic. France and northern Spain will have thunder showers after a sunny weekend.




Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

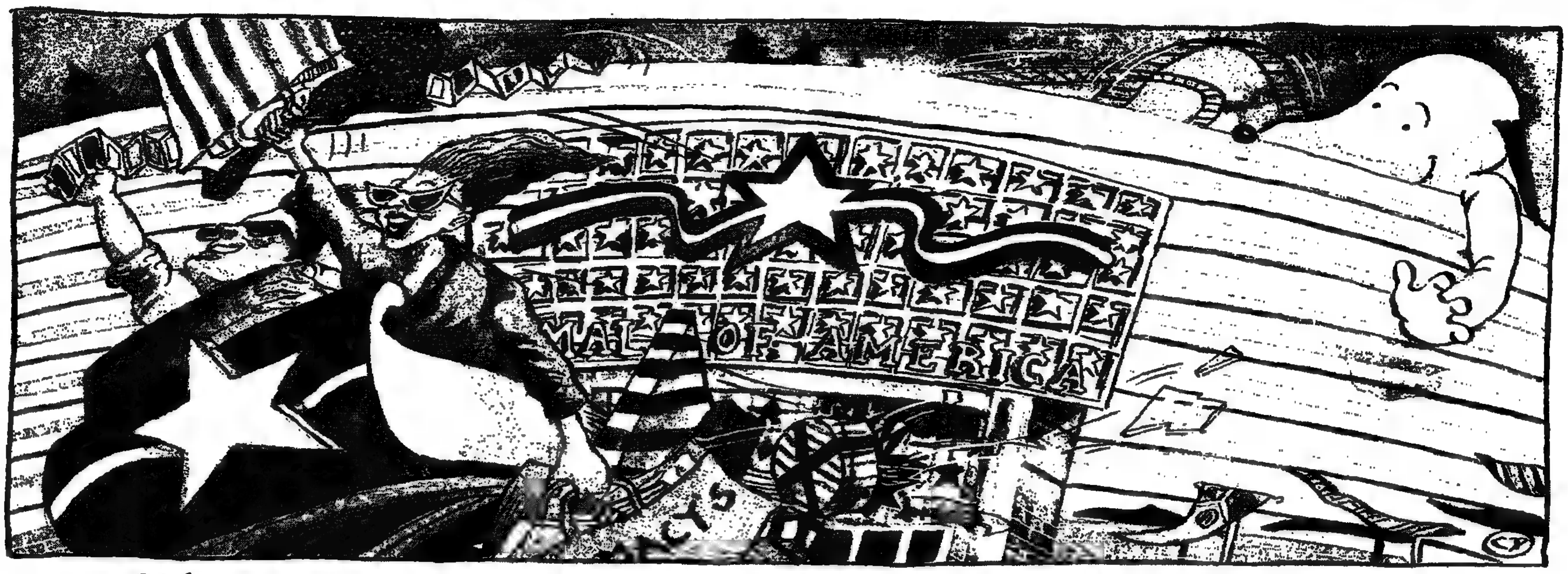
TODAY'S TEMPERATURES

| | | Maximum Celsius |
|---|---|---|
| Abu Dhabi | sun | 41 |
| Accra | thund | 29 |
| Algiers | fair | 37 |
| Amsterdam | shower | 19 |
| Athens | sun | 35 |
| Atlanta | sun | 32 |
| B. Aires | fair | 23 |
| B.ham | cloudy | 19 |
| Bangkok | fair | 34 |
| Barcelona | sun | 29 |
| Beijing | rain | 30 |
| Belfast | fair | 16 |
| Belgrade | sun | 30 |
| Berlin | shower | 20 |
| Bermuda | shower | 32 |
| Bogota | cloudy | 19 |
| Bombay | drzzl | 31 |
| Brussels | fair | 20 |
| Budapest | fair | 27 |
| C.hagen | windy | 19 |
| Cairo | sun | 40 |
| Cape Town | fair | 14 |
| Caracas | thund | 27 |
| Cardiff | fair | 18 |
| Casablanca | sun | 27 |
| Chicago | thund | 30 |
| Cologne | shower | 20 |
| Dakar | fair | 28 |
| Dallas | sun | 39 |
| Delhi | rain | 30 |
| Dubai | sun | 42 |
| Dublin | fair | 17 |
| Dubrovnik | sun | 31 |
| Edinburgh | fair | 18 |
| Faro | sun | 28 |
| Frankfurt | shower | 23 |
| Geneva | fair | 23 |
| Gibraltar | sun | 31 |
| Glasgow | cloudy | 17 |
| Hamburg | shower | 18 |
| Helsinki | fair | 21 |
| Hong Kong | thund | 31 |
| Honolulu | fair | 33 |
| Istanbul | sun | 32 |
| Jakarta | fair | 33 |
| Jersey | fair | 18 |
| Karachi | cloudy | 32 |
| Kuwait | sun | 45 |
| L. Angeles | sun | 30 |
| Las Palmas | sun | 27 |
| Lima | cloudy | 18 |
| Lisbon | sun | 25 |
| London | fair | 21 |
| Lux.bourg | shower | 20 |
| Lyon | fair | 25 |
| Madeira | fair | 25 |
| Madrid | sun | 33 |
| Majorca | sun | 34 |
| Malta | sun | 34 |
| Manchester | fair | 17 |
| Manila | cloudy | 33 |
| Melbourne | shower | 12 |
| Mexico City | thund | 20 |
| Miami | thund | 32 |
| Milan | sun | 29 |
| Montreal | rain | 25 |
| Moscow | rain | 21 |
| Munich | shower | 21 |
| Nairobi | fair | 22 |
| Naples | sun | 31 |
| Nassau | thund | 32 |
| New York | shower | 31 |
| Nice | sun | 28 |
| Nicosia | sun | 35 |
| Oslo | rain | 17 |
| Paris | shower | 24 |
| Perth | fair | 16 |
| Prague | fair | 22 |
| Rangoon | drzzl | 32 |
| Reykjavik | fair | 12 |
| Rio | fair | 26 |
| Rome | sun | 31 |
| S. Frsco | sun | 26 |
| Seoul | rain | 31 |
| Singapore | fair | 31 |
| Stockholm | fair | 25 |
| Strasbourg | shower | 22 |
| Sydney | cloudy | 20 |
| Tangier | sun | 28 |
| Tel Aviv | sun | 34 |
| Tokyo | shower | 31 |
| Toronto | rain | 23 |
| Vancouver | fair | 23 |
| Venice | sun | 30 |
| Vienna | fair | 26 |
| Warsaw | shower | 22 |
| Washington | sun | 34 |
| Wellington | fair | 14 |
| Winnipeg | fair | 19 |
| Zurich | fair | 21 |

# Weekend FT

SECTION II

Weekend August 13/August 14 1994


# Shop until you drop – US-style

*Martin Dickson, complete with his 'I mega-shopped the mega-mall' T-shirt, examines the phenomenon of a mid-west shopping complex which has become a tourist attraction in its own right*

The Pepsi Ripsaw roller-[illegible] might [illegible] be among the world's most terrifying amusement park attractions. But it makes up for its relative lack of stomach-churning thrills with its bizarre location: in a fun-fair at the heart of the largest shopping mall in the United States.

If your feet are killing you, refresh [illegible] a ride on the Ripsaw, careering for 2½ minutes above indoor trees, roof tops and restaurants and through a miniature, artificial mountain. If the children are playing up, and refusing to accompany you inside yet more clothing shops, distract them with a ride on another of the fair's attractions, the Log Chute. This will carry them in a hollowed-out tree trunk through a mountain filled with animated figures – and drop them down a 40ft waterfall.

The Mall of America, which lies on the outskirts of Minneapolis, Minn[illegible], and opened its doors two years ago this month, is a vast temple to consumerism – the ultimate statement of faith that the chief national pastime of the US is not baseball or fishing but shopping. (Actually, the main pastime could soon be gambling, for casinos are springing up like [illegible] land.)

The 23-ride amusement park sits in the middle of a round, four-storey doughnut containing more than 400 shops, four large department stores, a [illegible] cinema and an 18-hole miniature golf course ("experience the challenge of its two waterfalls and seven streams"). There are bars and nightclubs where you can play pool, [illegible] a [illegible] football game, listen to a comedy routine or [illegible] dance, country-style.

You can even get married. The Chapel of Love, located [illegible] just across a walkway from an outlet promoting local casinos, can provide you with "a decorated, 75-seat chapel, taped music selections, and the services of an officiate, all offered in 1½-hour packages starting at under $500".

You can have a country-and-western themed wedding, rock 'n' roll nuptials, or a Vegas-style affair. "We can even get you Elvis," says MaryAnne London Gears, the chapel's manager. In the Mall of America's alternative reality, the impossible becomes [illegible].

This, after all, is a world where the temperature is always a perfect 70°F (21°C); where you can sit in the street "outside" a perfectly reconstructed Italian country restaurant, yet still be indoors under the mall's vast glass canopy; and where you can indulge [illegible]ur fantas[illegible] of becoming a top model with a visit [illegible] staff will [illegible] your face, banishing unsightly spots and pimples, dress you in fashionable clothes and cap[illegible] the "glamorous new you" on film.

That is part of the hype, hoopla and kitsch. But in the real world of [illegible] investment, the mall represents two big gambles: that a complex of such size can attract enough customers to make a decent return; and that, by mixing entertainment with its wares, it can compete successfully with rival forms of leisure and electronic shopping.

John Wheeler, the Minnesota mall's general manager, says: "We've recognised that people today want a good reason to leave their homes. We want to offer them a whole variety of reasons to come here, which includes not only the mall's goods and services but the experience of the whole.

"The whole concept of experience is very, very important to us."

If [illegible] "experience" [illegible] – and the jury is still out – it will set an example for mixed retailing and entertainment which the rest of the world could follow. But the [illegible]pany which manages the Minnesota mall is encouraged enough by early trading to be putting entertainment centres into several other malls being built, while some smaller [illegible] malls have begun offering rides on ferris wheels, dodgems and carou[illegible].

Minneapolis, a stolid city in the mid-western farm belt – an area from which author Garrison Keillor drew the inspiration for his laconic tales of the fictional Lake Wobegon – might seem an unlikely setting for this bread-and-circuses approach to selling. But it has played an important role in the 40-year history of the US mall, and for good reason: Minnesota's harsh winters and broiling, insect-infested [illegible]mers make shopping in an enclosed, temperature-controlled building an extremely attractive proposition.

America's first mall, the Southdale Centre, opened in 1956 only a few [illegible] what is now the Mall of America, and clones multiplied rapidly across the land in the 1960s, 1970s and early 1980s. By the end of the last decade, though, the regional mall [illegible] looked in danger of exhaustion. Americans [illegible] devoting [illegible] time to shopping and, when they did venture out, they tended to patronise strip shopping centres near their homes or the growing new "factory outlets" – stores offering slightly imperfect or end-of-line goods from well-known brand manufacturers at knock-down prices.

At the same time, mall owners became aware of another potent threat: [illegible] shopping. The converging film, computer and telecommunications industries will eventually create mass-market, inter-active television that allows [illegible] to order an immense array of goods from home at the touch of a remote control button.

This is unlikely to mean the end of shopping [illegible] known it; humans are social beings and, from time immemorial, have found plea[illegible]le distraction [illegible] visiting bazaars. But all these forces are putting pressure on shops to make parting with money an entertaining experience.

So, too, [illegible] the fact that people enjoying themselves in an entirely artificial world are more likely to [illegible] their credit cards around with wild, impulsive abandon than those trudging [illegible] front to store front in the rain. The Mall of America's official slogan ("There's a place for fun in your life") acknowledges these motives implicitly. Fun is, by definition, frivolous and guilt-free – and shopping should be the [illegible].

Yet, [illegible] first big test of shopping-[illegible]rtainment actually took place in Canada, where, in 1985, a family of real estate developers, the Ghermezian brothers, built a mall near the city of Edmonton, Alberta, which incorporated an amusement park, hockey rink and artificial lake. It succeeded, generating substantially higher revenue per square foot than a conventional mall. The Ghermezians then joined up with one of America's [illegible] mall developers, Indianapolis-based Melvin Simon & Associates, to build [illegible] Minneapolis pleasure dome, with a US teachers' pension fund putting up the bulk of the equity.

In the event, the most grandiose plans for the Mall of America – such as an aquarium and a monorail – were deferred because of the [illegible]s 1990-1991 recession, and it ended up somewhat smaller than its Canadian cousin. Even so, when the mall opened in August 1992, many retailing analysts pronounced it a [illegible] of [illegible] Americans' desire to spend less time shopping. "It's risky, [illegible] risky," declared one New York consultant. "Few people really see shopping as recreation any more. People are time-strapped." Two years on, the arguments continue.

Last year, though, 37m people visited the Mall of America – 7m more than Walt Disney World in Fl[illegible] (although [illegible] figures [illegible] not directly comparable since the Minneapolis total [illegible] have been boosted by repeat visits from local residents). They spent $625m.

Wheeler maintains these figures are in line with, or exceed, the project's financial and traffic projections. But critics point out that the mall is not yet fully occupied – at [illegible] 10 per [illegible] of [illegible]

Continued on Page VII

CONTENTS



Long View/**John Plender**

# Fiendish booby traps

If the financial markets are a minefield, derivative instruments such as swaps, futures and options appear to be the most fiendish of new-fangled booby traps. Consider the growing number of casualties inflicted in recent months by these most volatile of financial tools.

First we have the collapse in March of Askin Capital Management, a Wall Street hedge fund operator whose boss David J. Askin contrived to lose hundreds of millions in a matter of weeks, using supposedly "risk neutral" derivative trading techniques. One thing that is not in dispute is that Askin himself was baffled by the sheer complexity of his own trading strategies. His end was swift.

Then we saw Procter [illegible] Gamble, veteran of soap and detergent wars, admitting that [illegible] high-powered [illegible] department had stumbled in its derivative dealings with Bankers Trust. Brokerage house PaineWebber quickly followed with news [illegible] loss-making derivative trades in one of its mutual funds, which was supposed to invest in boring, rock solid US government securities. It felt obliged to reimburse investors out of its own resources.

Nor is the list, which can be extended almost [illegible] will, exclusively [illegible] Europe's biggest banks have been badly hit by the collapse of their derivative trading profits in the first half of this year. This week brought [illegible], too, of gilt-edged losses and a spot of derivative difficulty [illegible] Union Discount in the City. [illegible] were hardly significant, when compared with Allied Lyons' £150m currency option losses of not so long ago, but in some ways they were more evocative.

For almost as long as most of us can remember [illegible] houses [illegible] sporadically declared huge losses in their core business of bill broking and gilt-edged dealing. The normal pattern has been for them to raise money from shareholders to plug the resulting hole in their capital and to invest in diversification away from their core operations. All too often the diversification turns out to be more risky than expected. Union, for example, which declared an interim loss this week of nearly £800,000, lost several million in 1991 as a result of its move into an equipment leasing business.

The tradi[illegible] response is for the houses to raise yet more money from shareholders, while declaring a new-found aversion to risk. Alternatively they conclude that the game is not worth a candle and merge or sell out, [illegible]ich is why only a quartet of the old names from the London discount market survive as independent quoted concerns: Cater Allen, Gerrard & National, King [illegible] Shaxson and Union.

The experience of the discount [illegible] worth recalling [illegible] it helps identify what is different in the novel world [illegible] trading. [illegible] the difference is not as much as instinct might suggest. For while the techniques are new – though [illegible] all that new by now – the source of this year's problems is old hat. The really big trouble, of which there has not, in reality, been that much to date, comes from taking large p[illegible]ions as principal on the basis of in[illegible]quate capital.

Market making and position taking, which is how more and more banks in the US and Europe expect to make their profits, are exceptionally risky activities. As the discount houses found out time and again, it is possible to generate respectable returns in this business for a while, only to be overtaken by overwhelming [illegible] hit by shocks like the 1987 stock market crash.

The novelty in today's markets lies in the complexity, the lack of liquidity and, especially important, the lack of transparency. Balance sheets in the financial sector have always been mildly distorted by hidden reserves and window dressing. But now they are next to worthless as a guide to the creditworthiness of institutions that deal heavily in derivatives because the degree of risk in the balance sheet can fluctuate wildly minute by minute. Published data are thus inadequate and out of date. It is impossible to tell whether people are engaging in low-risk arbitrage or high-risk position taking.

The result is that we are back to a world that has surprising similarities with the 19th century. Then, partnership was still the City [illegible] published balance sheets were a rarity and traders judged creditworthiness on a combination of reputation, rumour and past record. People acted as both principal and agent without a welter of regulations to govern conflicts of interest. What are the rules for survival in such a world?

In the late 20th century we do, admittedly, have credit rating agencies, on whose judgments the [illegible]ing edifice is uncomfortably dependent. [illegible] rating agencies [illegible] infallible. So rule one is not to rely on rating alone.

Rule [illegible] recognise [illegible] this market is best left to professionals, as is investment in the shares of market makers. For them, [illegible] emptor applies with deadly seriousness in view of the [illegible] of interest in which many players are involved. The final rule is to pay even more attention than usual, in judging creditworthiness, to capital and good parentage.

Without parents with deep pockets several Wall Street investment banks would have disappeared over the past decade, including [illegible] Boston, Lehman Brothers and, in the light of its recent [illegible] upset, Kidder Peabody. Drexel Burnham did disappear, precisely for want of such support. And [illegible] a [illegible] Bank [illegible] England, many of London's discount houses would certainly have failed.

Yet private investors can still become unwittingly embroiled in derivative problems – witness the way in which US mutual funds sought to [illegible]ase their returns through derivative trading without disclosing this to clients. Once again the rule is: be boring. A fund manager will not make good the loss in a mutual fund or unit trust unless it has a reputation to protect and the resources to do it. There are times, in financial markets, when it pays to play safe.

# MARKETS

London

## Still skittish after all these profit rises

*Andrew Bolger*

The [illegible] Swedish bond market seldom excites London equity traders, who [illegible] their [illegible] on Thursday only [illegible] braving flooded [illegible] and [illegible] stations. But when a ½ percentage point [illegible] in Swedish interest rates was followed by a similar rise in Italy, many [illegible] in a bad case of cold feet, and the FTSE-100 shed [illegible] points.

There were clear domestic reasons for both moves – concern over the Swedish inflationary [illegible] and deficit, plus Italy's determination to [illegible] the lira at a time of continuing political uncertainty. However, London's immediate reaction betrayed underlying [illegible] that the European [illegible] rate cycle is [illegible].

Traders started in equally nervous [illegible] yesterday morning, and at one point the FTSE-100 was down [illegible] points, but [illegible] market [illegible] reassuring US [illegible] price [illegible] the FTSE-100 ended the day 4.1 points higher.

Analysts of the UK market tend to polarise into two [illegible] optimists who continue to focus on the [illegible] recovery in corporate profits, and pessimists who fear equity values are looking overstretched – particularly [illegible] to returns available in the gilts market.

UBS points out that the real yield gap between equities and index-linked gilts has declined from 60 basis points last November to minus 13, and the last time it turned negative was in early 1987, preceding the stockmarket crash.

Gilts reflect market scepticism over how long inflation will continue at its present low level. [illegible] Securities [illegible] the Bank of England will raise UK interest rates this year in a pre-emptive strike against inflation, but says [illegible] that the battle the Bank is facing is not against a return to the bad old days of UK inflation.

It says: "Instead the Bank thinks that 3 per cent is achievable on the current interest rate structure, but its aim is to get back to the lower half of the target range of 1-4 per cent by the end of this parliament. If it comes anywhere close to achieving this then it will be a very favourable outlook for the gilt and UK equity markets."

The bounce in corporate profitability is now well established. However, Barclays, the UK biggest bank, still managed to surprise with a trebling in pre-tax profits to more than £1bn in the first half of the year – mainly due to a £680m drop in bad debt provisions. Not all the news was good: operating profits fell slightly, partly because of low demand for loans from recession-chastened [illegible] and businesses [illegible] in no rush to [illegible].

The [illegible] fillip to equities came from the regulatory review of the English and Welsh regional electricity companies, which was so favourable to the 12 RECs that one analyst described it as "a sheep in wolf's clothing". Although the new price formula means average family bills should fall by a total of £70-£90 over the next five years, the City quickly concluded that the RECs would be able to deliver real dividend growth of at least 8 per cent over the same period.

The reporting season by the composite insurers got off to a strong start, with General Accident, Commercial Union and Royal Insurance all coming in [illegible] of expectations. Their [illegible] strongly, thanks to higher premiums, efficiency improvements and more careful underwriting.

[illegible] the financial and utilities [illegible] profits at GKN, the [illegible] components and defence engineering group, rose by [illegible] per cent, although [illegible] only 9 per cent. Much of the improvement came from a continuing programme of cost-cutting and an upturn in several businesses – particularly automotive components, which benefited from recovery in the continental European car market.

Unilever, the Anglo-Dutch consumer goods group, also came in with better than expected results. Its worldwide speciality chemicals business benefited from recovery, but results in its consumer business in Europe and America did not yet fully reflect these improving conditions.

You [illegible] to the consumer than an [illegible], and this tiny [illegible] this week saw the climax of a dramatic takeover. Service Corporation International, North America's largest funeral group, was assured of winning Great Southern Group, the UK funeral company, when the Takeover Panel refused an attempt to block SCI's revised offer of £113m.

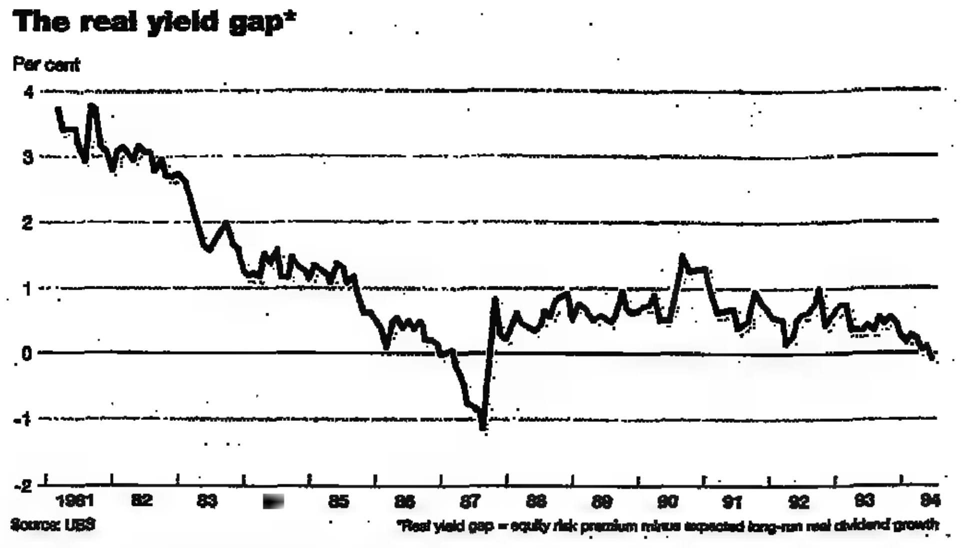
Loewen, the Canadian funeral group, had tried to prevent SCI from raising its bid because the Texas-based group [illegible] a "final" offer which omitted a [illegible] clause allowing [illegible] to be increased in the event of competition. The Panel decided this omission by SCI's advisers, led by the merchant bankers Schroders, was attributable to "a genuine mistake, however regrettable".

SCI has agreed to pay £4m compensation to investors who sold shares in Great Southern before the misleading announcement was clarified. It is not clear who will finally pick up the bill, but it seems unlikely that Schroders will pocket [illegible].

Meanwhile, [illegible] in the British burial business may not be over. The day after SCI won the Panel's backing, it bought a 5 per cent stake in Plantsbrook, the only other UK-quoted funeral company, and said it was interested in buying further shares.

Plantsbrook is 48 per cent owned by Pompes Funebres, France's largest funeral business, and SCI may want to secure a ring-side seat if the parent [illegible]. SCI is also concerned that Loewen Group, its largest north American competitor, might consider turning its attentions to Plantsbrook.

Watch this space…



Source: UBS *Real yield gap = equity risk premium minus expected long-run real dividend growth

### HIGHLIGHTS OF THE WEEK

| | Price y'day | Change on week | 1994 High | 1994 Low | |
|---|---|---|---|---|---|
| FT-SE [illegible] | 3142.3 | -25.2 | 3520.3 | [illegible] | [illegible] |
| Boots | 532 | -10 | 601 | 504 | [illegible] Govett sell |
| [illegible] | 283 | +15 | 286 | [illegible] | Hoare [illegible] |
| [illegible] | 783 | +71 | 783 | 586 | Offer [illegible] |
| General [illegible] | 561 | -40 | 757 | 533 | [illegible] disappoint |
| Glaxo | 623 | +23 | 725 | 520 | Hedge [illegible] |
| [illegible] Grp. [illegible] | 284 | -34 | 414 | 284 | [illegible] disappoint |
| [illegible] | 450 | [illegible] | 622 | 421 | [illegible] |
| [illegible] | 279 | +17 | 350 | [illegible] | [illegible] interim figures |
| [illegible] Trans. | 720 | -19 | 755 | [illegible] | Interim figs. [illegible] |
| Southern Elect | 740 | +89 | 745½ | [illegible] | [illegible] review [illegible] market |
| [illegible] Elect. | 746 | +45 | 826 | [illegible] | Offer review [illegible] market |
| Standard Chart | 247 | -36 | 359½ | 228 | Worries about HK [illegible] |
| Utd. [illegible] | 505 | -24 | 731 | [illegible] | Price [illegible] concerns |
| Whitbread | 552 | +25 | [illegible] | [illegible] | Switching [illegible] Bass |

Serious Money

## How do we profit from profiteers?

*[illegible] O'Connor, personal finance editor*

Should consumers fight back against profiteering by buying shares in the profiteers? Last month, [illegible] shares [illegible] because the price review was less tough than feared. This week, electricity shares soared for the same reason (see page III for details). And Royal Insurance got a warm welcome when it announced profits which included an underwriting profit of more than 17 per cent on its UK consumer business.

There are, however, important differences between the water and electricity businesses and general insurance. One reason why the utility companies are such a joy to the investor is that the regulators control their prices not their profits. So provided the companies can squeeze their own costs, there is theoretically no limit to the amount by which profits can rise. Add to that their [illegible] local monopolies, and the inflation-proofing implicit in the price control mechanism, and you have a real licence to print money.

The insurance business nowadays is very different indeed. It may be sporadically profitable in certain areas, but overall it no longer makes money on its basic underwriting business. Insurance shares may look attractive right now – but they have been a lousy long-term investment.

Yet, until the middle of this century, general insurance companies did make good profits from underwriting. Up to the 1950s they normally made around 5 per cent.

This margin slipped back to around 2 per cent in the 1960s, and in the 1970s underwriting moved into the red, where it has broadly stayed ever since.

Some 20 years ago, a former chairman of Royal, Sir Paul Chambers, famously predicted a return to underwriting profits of 5 per cent. His mistake was to assume that history would repeat itself. The trend towards investing in equities encouraged insurance companies to rely on stock market gains for part of their profits. Competition drove insurance premium rates down. And the hitherto cosy world of the big insurance companies was irrevocably gone.

There are some useful investment points to note here.

First, and fairly obvious, always look at the whole of a company's business, not just the bit that affects you.

Second, look not just for good profits but for sustainable profits – at least if you are a long term investor, rather than a speculator. Finally, always bear in mind that long term changes in business and investment do happen.

Consols had their day, and so did general insurance companies. Utilities are still enjoying theirs. But keep one eye on the horizon.

□□□

Back to that 17 per cent profit Royal made on its consumer business. The actual figures were 18 per cent on household (buildings and contents) business and 15 per cent on motor. Motor insurance premiums are already on the way down (see Weekend FT July 30, page V.) and household rates are coming back a bit. But the insurers do not expect them to fall as much as motor rates.

The people who are forcing rates down are the direct insurers who cut out the middleman and sell by telephone. They can offer better deals, because their cost are less, and competitors have to follow. But it is harder for the direct insurers to nose into the household market than into motor.

Why? One reason is that something like 40 per cent of all household insurance comes via building societies. The societies get commission of up to 30 per cent of the premiums, which does wonders for their overall [illegible] well-being.

Broadly, for every [illegible] you pay in household insurance premiums some 30 – 35 per cent goes in commission and other costs, [illegible] per [illegible] in profits, and at most half is actually spent on paying claims.

The building societies [illegible] their rather comfortable commission [illegible] always been a [illegible]. First, they [illegible] a lot of the [illegible] for the insurance companies. Secondly, the profit they make from their insurance commissions subsidises their mortgage business. Maybe. But perhaps consumers would like to make their own [illegible].

The brave new world of [illegible] pulsory [illegible] is heading [illegible] the life [illegible] volunt[illegible]. How about [illegible] voluntary disclosure of [illegible] what from your household insurance premiums?

□□□

Kids' lib apart, the new Cheltenham & Gloucester sweeteners are rather damp squibs. Very broadly, more depositors will benefit, mainly because the qualifying date is later. (See page V.) Borrowers miss out, but get a warm nod and wink from C&G boss Andrew Longhurst.

How much is that worth? When the Lloyd's offer was originally announced C&G hinted that it [illegible] proposal would [illegible] and would fight for it in the Courts if necessary. But when the High Court turned it down, C&G appeared reluctantly to concede that there was no point in fighting.

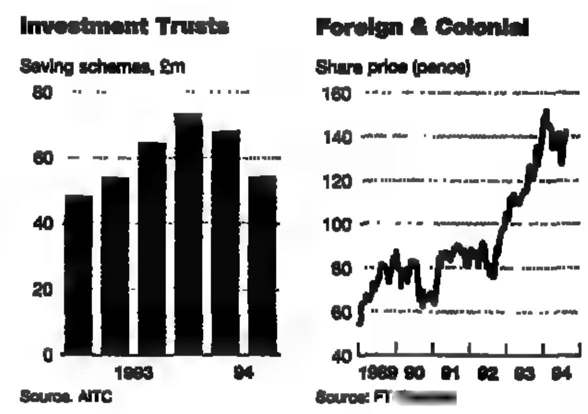
□□□

The Department of Trade recently closed some illegal pyramid selling schemes. Some of the victims are forming an action group to fight the DTI's intrusion, which they consider an infringement of civil liberties.

### AT A GLANCE

**Finance and the Family index**






**Investment trust schemes attract more business**

Investment trust savings [illegible] to be popular with private investors who poured £122.1m into them in the first half of the year, an increase of 20 per cent on the same period last year.

The Association of Investment Trust Companies, which published the figures, said that the number of regular savers (as opposed to lump sum investors who can also invest via the savings scheme) has increased every quarter since the end of 1992, to 79,000 from just under 56,000. The average amount invested by regular savers is £80 a month.

**Fall in F&C net assets**

Foreign & Colonial Investment Trust reported interim results this week, showing a fall in net assets from 148p to 134.2p per share during the six months to June 30. The share price fell [illegible] per cent in the first half, which was not as much as the 13 per cent drop in the FT-SE-A [illegible] Index.

F&C [illegible] a higher [illegible] and rising [illegible] rates, particularly in the US, for the falls. It [illegible] that stock [illegible] may have difficulty in making progress, partly [illegible] of the rapid expansion of the US economy.

**Barclays trebles interim profits**

Barclays trebled its interim profits to £1.04bn before tax for the six months to end June, thanks partly to a £680m cut in bad debt provisions. The interim dividend was increased by 23 per cent to [illegible] a share. Chief [illegible] Martin Taylor [illegible] that Barclays had made "lousy returns" in the past few years.

**C&G's new share-out scheme**

Cheltenham & Gloucester Building Society has put forward a new [illegible] for sharing out the £1.8bn cash bid from Lloyds Bank. This would increase payments to members to up to £13,500 for each qualifying [illegible]. The meeting at which members will vote is now planned for March [illegible] (Details page V).

**Cheer for smaller companies**

The [illegible] Govett Smaller Companies Index (Capital Gains version) rose one per cent over the week to Thursday 11 August. This move leaves it very close to its level at the beginning of the year, whereas the FT-SE-A All Share Index is still over 6 per cent down, and the FT-SE 100 over 8 per cent down.

**Next week's Finance and the Family**

Many people only discover [illegible] they [illegible] an unexpected bill. We pinpoint the main [illegible] – and explain [illegible] them.

Wall Street

## Players gratefully take their eyes off the ball

It usually helps if Wall Street has something other than the price of stocks and bonds to think about during the summer [illegible] that typically afflict US financial markets at this time of the year, and that something this week has been the baseball players' strike.

While the mid-season disruption of America's national pastime may not be a particularly happy subject, it has at least provided respite, for traders and investors, from the numbing [illegible] and the endless speculation about Federal Reserve monetary policy that normally passes for intelligent discussion around the trading floors and executive offices of lower Manhattan.

At least with the baseball strike, there are some certainties everyone can rely upon: namely, the rich and greedy owners are fighting with the rich and greedy players over money (in this case, how to divide the $2bn annual revenues the games generate). This sort of thing has been going on throughout the history of baseball. This strike, which started yesterday, is the sport's eighth work stoppage in just over 20 years.

Moreover, while the rest of America struggles to feel sympathy with the two sides in the dispute, there are plenty of people on Wall Street who can find common cause with baseball's players and owners.

For example, the players, who earn millions of dollars a year and feel that nothing should interfere with the free market process that determines the price placed on their talents, are not far removed from Wall Street's best dealers and investment bankers. Their annual salaries are also measured in seven figures, and they would never dream of accepting any restrictions on who they work for, and for how much.

Similarly, the complaints by club owners that the business of baseball is in trouble because wages are rising too fast relative to revenues will find an echo throughout the US business community. The owners insistence that their survival depends upon their employees – the players – accepting restrictions on pay levels would strike a chord in any industry chieftain. For years, US corporations have been cutting and restructuring their workforces, or imposing wage cuts or freezes, in an attempt to rein in costs during business downturns.

This is exactly what is happening on Wall Street. While much of the rest of corporate America is prospering, the securities broking and investment banking industry is enduring its most difficult period since 1990. After three years of record profits, the earnings of Wall Street firms have shrunk amid falling revenues from securities underwriting, broking and trading.

As a result, Wall Street firms have been taking action to bring costs back into line with revenues. In the last few weeks, Merrill Lynch, PaineWebber, Smith Barney Shearson and Prudential Securities – four of the biggest securities houses in the US – have cut their payrolls, most noticeably in bonds, which has suffered more than any other area from the deterioration in market conditions.

More job cuts are likely, because there are few signs of an improvement in the business environment. If anything, matters may get worse because the upward trend in domestic interest rates, the root of Wall Street's problems, has probably not yet peaked.

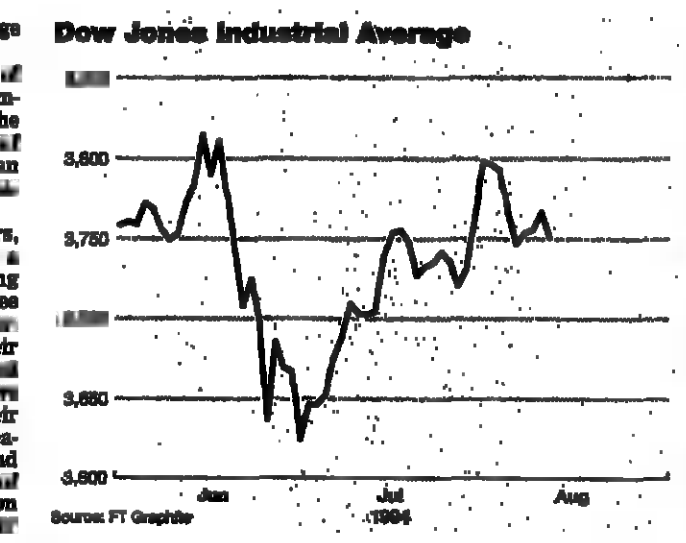
Just this week, statistics on July retail sales and inflation provided little evidence to suggest that the economy has been slowing down. If anything, economists believe the recent data has only made it more likely that the Fed will put up interest rates again soon, possibly as early as next week, when the central bank's open market committee meets.

Although another interest rate rise has been partially discounted by Wall Street, it can only reinforce the bearish mood among stock market dealers and investors. The Dow Jones Industrial Average, which has fallen from just under 4,000 to its current level of about 3,750 since the Fed started raising interest rates in February, may have quite a bit further to go before the cycle of rising rates is complete.

Perhaps the market faces a repeat of the Dow's performance during the last prolonged baseball strike, in 1981. In that year, the Dow stood at 1,006 on the first day of the strike. Fifty days later, when the dispute was settled, the average had dropped more than 6 per cent to 942. From then on it was all downhill.

By the time the interrupted baseball season was over, barely seven weeks later, the Dow had plunged another 12.5 per cent to 824. If today's market repeats the performance of the last baseball-strike year, the Dow will be down at 3,100 by the end of October, and there will be more unemployed investment bankers and traders on the streets.

*Patrick Harverson*




| | | |
|---|---|---|
| Monday | [illegible] | + [illegible] |
| Tuesday | [illegible] | + 1.95 |
| Wednesday | [illegible] | + 11.60 |
| Thursday | 3750.90 | – [illegible] |
| Friday | | |

Bottom Line

## Insurers fail to inspire

Three of the UK's largest insurance companies reported impressive results for the first half of 1994 this week – but their managers can be forgiven if they feel aggrieved by the market's less than enthusiastic reaction.

General Accident (pre-tax profits of £203.2m against a [illegible] £177m-£200m) saw its share price marked down 40p over the week, and Commercial Union (which posted pre-tax profits of £181m, at the top of the expected range) was rewarded with a rise of only 12p to 562p.

Royal Insurance did better, but it is the lowest rated of the composites. Its share price rose by 17p to [illegible] at 279p, after UK results described by chief executive, Mr Richard Gamble, as its "best ever".

"Most analysts' forecasts were blown [illegible] the water [illegible] the markets' [illegible] has been niggardly," said Paul Hodges, analyst with James Capel.

The response seems all the more surprising because the shares of composite insurance companies have underperformed the Footsie index in the last year and appear under rated.

By Thursday night insurers were on a dividend yield of 5.32 compared to a market average of 3.78, while the sector's price earnings ratio – measured on the basis of its historic performance – amounted to only 9.61, compared to 18.92 for the market.

Underpinning the cool response is the perception that the industry's pricing cycle has reached its peak and that current buoyant levels of profitability could soon begin to [illegible] as prices fall.

In particular the markets are concerned by signs of price competition, especially in the motor market, where a new breed of telephone insurance companies, led by Direct Line, is making rapid inroads.

Some analysts fear that these pressures will gradually feed through into other parts of the market, dampening the profitability achieved after increases in rates and the introduction of more selective underwriting.

This week's results indicate such fears may have been overplayed. Profits from the home insurance market were particularly good, for example. This was partly the result of kinder weather which meant fewer claims for storm and subsidence damage. But it could indicate that the direct writers, which are currently attacking the home insurance market, may experience more difficulty in winning market share than they have done in the motor market.

"People generally show more inertia in changing their home insurance policy from year to year, compared with changing their motor insurer," says Youssef Ziai, analyst with Morgan Stanley.

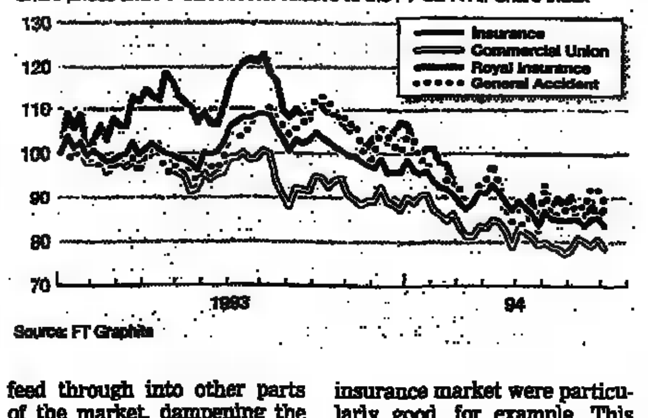
In addition Ziai sees that in some parts of the market – such as commercial property, for example – premium [illegible] are still increasing and he [illegible] competition from European companies and Lloyd's syndicates to be muted.

Analysts also suggest that the industry's balance sheet is not strong enough to support [illegible] competition.

Falls in the fixed income and equity markets, have knocked several points off the solvency margins of the composites. "The balance sheets of all the companies have been seriously eroded. There is no excess capital," says Hodges. Hodges and Ziai both expect the present period of profitability to be sustained beyond 1995 and the subsequent downturn to be less sharp. "If UK insurers are looking at a long period of healthy results, their share prices should be higher than they currently are," says Hodges. "Investors do not seem prepared to believe that healthy profits will persist."

Nevertheless it is not difficult to find sceptics. Steven Bird, analyst with Smith New Court and the most prominent of the bearish commentators, believes competition will intensify. He insists that the UK trading margins – the companies made underwriting profits of between 16p and 27p for each pound of home insurance premium income, for example – are simply unsustainable and that, outside the UK, returns on capital are generally unimpressive. "I can't think of any reason other than possible bid talk for these shares to rise significantly," says Bird.

*Richard Lapper*



FINANCE AND THE FAMILY

# Power to the people – and profits, too

*Now that the industry's regulator has delivered his judgment, **Michael Smith** analyses the prospects of the regional companies*

Shareholders in [illegible] regional electricity companies in England and [illegible] are used to good times. But, even by their standards, this has been a very good week. Following the industry regulator's Thursday announcement on what [illegible] market views as [illegible] price controls, [illegible] in [illegible] 12 companies rose in value by more than £1.1bn to £15.9bn. There could be more to come – possibly much more.

Even if the companies were simply to stand still and get on with the efficiency savings which the regulator assumes they are capable of achieving, most analysts believe that at least some of them remain under-valued and that the sector will continue to outperform the market for months, perhaps years.

The companies are not about to stand still, though. They have a heavy agenda for the next year and most of it seems likely to enhance the value of their shares. Top of the list is the likely flotation of the National Grid, the transmission company owned by the regional companies and which is worth at least £4bn.

One option is for shareholders to be issued with shares in the grid. Another would be to distribute money raised through the flotation to shareholders through a special dividend. Either way, they would benefit. A decision is likely in the autumn, with the flotation following next spring.

Long before that, though, at least some of the companies will have followed the lead of Eastern Electricity in buying back its own shares to cancel them. With nearly all of the companies cash-positive already – and most, possibly all, expected to increase their cash piles after the review comes into force – buy-backs may enable companies to boost both earnings per share and the amount of money they can pay out in dividends.

There is also the possibility [illegible] take-overs and mergers, both of and by [illegible] companies. But the City will be wary of any acquisitions the companies make outside the sector, given the patchy acquisitions record of other utilities.

It would be more likely to welcome mergers between regional power companies, given the potential for economies. There is also a possibility of them attracting the attention of a conglomerate or an overseas utility company.

The decisions of Professor Stephen Littlechild, the regulator, on Thursday probably will have more effect than any other single factor on the companies this decade. The distribution businesses on which he has imposed price controls contribute about 80 per cent of the regional companies' profits, and the review lasts for five years.

There was no disguising the relief felt by regional company executives. In spite of public statements about [illegible] toughness of the regime, it was nowhere [illegible] as onerous [illegible] they had feared.

Some analysts had, until recently, predicted cuts in distribution prices next April of up to 30 per cent, and increases thereafter limited to inflation minus 4 per cent in subsequent [illegible] But the outcome was 11 to 17 per [illegible] coupled with inflation minus only 2 per cent.

As a result, virtually all City analysts were upgrading their forecasts for the amount by which companies can increase their dividends over the next five years.

Since the yield [illegible] utility shares is one of their main attractions, dividend growth is a key indicator for investors. [illegible] for [illegible] annual increases in dividends vary from [illegible] to [illegible] per cent for the sector as a whole, way above the stock market average. Average earnings per share, after an initial drop next year, should grow by at least 2 to 3 percentage points above inflation.

That, then, is the broad picture. But what are the prospects for the individual companies?

Although they were classified as three groups in the review, with different levels of price-cutting resulting, City views on how they fared do not necessarily relate to the group in which they appeared. This is because the price cuts take into account a number of factors, including capital spending requirements and treatment under the previous regime.

■ Eastern Electricity's [illegible] a record high on Thursday [illegible] analysts welcomed the regulator's decision to place the company in the group of three which must cut allowed prices by 11 per cent. After a poor start in the City's eyes following privatisation, Eastern's management under chief executive John Devaney is considered one of the best bets to cut costs and is on several brokers' buy lists.

■ [illegible] Midlands Electricity was another in the 11 [illegible] this, according to [illegible] analyst, [illegible] "the [illegible] good news they have had for [illegible] years". Following problems [illegible] early acquisitions, [illegible] installed a [illegible] management which has rectified previous mistakes. But it needs some high capital spending: this was one reason for inclusion in its group.

■ London Electricity had the biggest share rise amid relief that the regulator had, apparently, accepted its argument that its high cost base was justified by the difficulties of servicing the capital. The shares had been hit before Thursday [illegible] it [illegible] thought [illegible] company could have [illegible] cut prices by more than [illegible]

■ Manweb is one of three companies in the group which, on the face of it, fared worst because they must cut allowable prices by 17 per cent. But it argues that the review is less severe than it seems, partly because the company's prices are lower than permitted and partly because of the benefits accruing from the previous pricing regime.

Although traditionally rated highly, analysts are divided as to Manweb's merits. Some say it can still reduce costs but others claim it is missing out by not diversifying.

■ Midlands Electricity was in the middle group which must cut allowable prices by 14 per cent. Several brokers, including S.G. Warburg, [illegible] it is a buy, [illegible] part [illegible] of the number [illegible] provisions it has made which [illegible] released into profits later.

■ Northern Electric is one of three companies which will incur a 17 per cent cut in allowable charges from April. While it appears on few analysts' buy lists, the company's position is poor only in the context of what is considered an extremely favourable [illegible] for [illegible] "None of the shares in this sector should be sold," says one analyst.

Norweb is judged by most analysts to have fared about averagely and [illegible] one of the sector's higher [illegible] companies. It benefits from its plans to increase significantly the amount of money it makes from unregulated income, including overseas and retailing ventures.

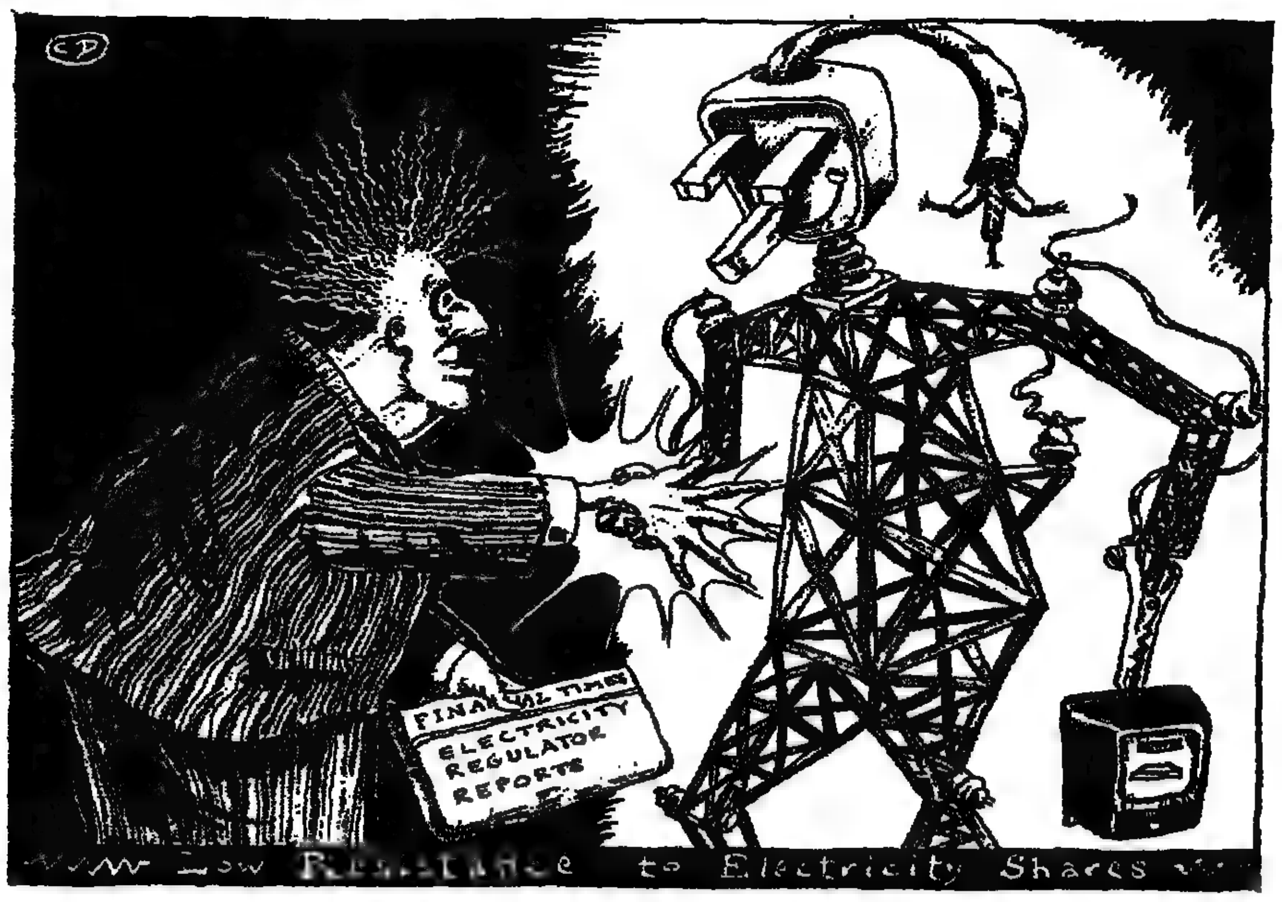
■ Seeboard [illegible] by Littlechild in the middle group, with a 14 per cent cut required in [illegible] prices. [illegible] were split: some [illegible] it had [illegible] badly [illegible] others argued it had done well. But, with [illegible] profitability and high [illegible] cover, it remains [illegible] highly.

■ Southern Electric [illegible] generally [illegible] have had an [illegible] review. In spite [illegible] above-average [illegible] of return [illegible] capital, [illegible] ended up in [illegible] group of companies which faces only an 11 [illegible] cut in prices. [illegible] the company as a buy.

■ Swalec appeared in the 17 per cent group and is judged generally to have had a medium to poor review. Traditionally one of the lowest rated groups, some analysts believe it has more scope to cut costs than most.

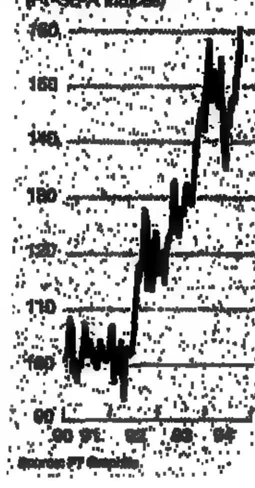
■ South Western Electricity has been one of the main beneficiaries of the share price rise since the review's publication. It appears to have convinced the regulator that its high costs are justified because of the rural nature of the area it serves.

■ Yorkshire Electricity was one of the first companies to accept the regulator's verdict, saying it was tough but challenging. Following a fall in its rating in the City in the past [illegible] or [illegible] (including [illegible]) believe its shares are [illegible]




## The kindest cut for electricity

Electricity sector
Relative to the All-Share (FT-SE-A indices)




Source: FT Graphite

| COMPANY | CUT IN DISTRIBUTION CHARGES | PROFITS & YIELDS | | PERFORMANCE SINCE FLOTATION IN 1990 | | |
|---|---|---|---|---|---|---|
| Electricity | 1995/6 % | Last pre-tax profits* £m | Current dividend yield % | Compound annual earnings per share growth % | Compound annual dividend per share growth % | Share price relative to sector % |
| East Midlands Electricity | 11 | 51.2 | 4.10 | 21.4 | 14.7 | -2.46 |
| Eastern Electricity | 11 | 176.8 | 3.89 | 19.2 | 16.8 | 7.18 |
| London Electricity | 14 | 193.5 | 4.88 | 23.3 | 14.7 | -8.80 |
| Manweb | 17 | 126.3 | 4.04 | 34.8 | 29.5 | -0.47 |
| Midlands Electricity | 14 | 165.4 | 3.97 | 20.0 | 30.2 | 5.98 |
| Northern Electric | 17 | 128.7 | 4.20 | 28.4 | 15.2 | 3.80 |
| Norweb | 14 | 176.3 | 3.95 | 65.3 | 13.7 | 1.20 |
| Seeboard | 14 | 131.7 | 3.71 | 27.5 | 16.9 | 12.82 |
| South Wales Electricity | 17 | 104.0 | 4.43 | 22.5 | 14.8 | -5.50 |
| South Western Electricity | 14 | 118.8 | 4.11 | 24.8 | 9.6 | -0.96 |
| Southern Electric | 11 | 222.0 | 3.97 | 26.5 | 15.6 | 2.43 |
| Yorkshire Electricity | 14 | 149.0 | 4.31 | 8.6 | 15.0 | -6.03 |

*before exceptional costs. Source: Company accounts, Datastream

## FINANCE AND THE FAMILY

The week ahead

# Last of the banks

Investors will be watching for shocks at HSBC Holdings as it concludes the interim results season for UK banks. Shares have already fallen sharply this year on worries over Asia-Pacific growth, and its exposure to financial markets trading.

On Monday, [illegible] bank, now the parent of Midland bank, is expected to report pre-tax profits of about £1.3bn, compared with £1.17bn. Earnings [illegible] share are expected to rise by 5 per cent to about 34p and the dividend to be increased 14 per cent to 8p.

☐ Argos, the catalogue retailer, is forecast on Monday to announce [illegible] increase in interim pre-tax profits from [illegible] to [illegible] £15m. The company said at its annual meeting that like-for-like sales – which exclude new stores – had increased 9 per cent in the first four months of the year, although they had slowed since then. Margins are thought to have held steady.

☐ Kalon, the paints group, is expected to report [illegible] first-half profits of £10m (£8.73m) on Tuesday following improved contributions from Novodec – the French paint maker acquired [illegible] £22m last year – and Vallance, the specialist products business which cost £6.2m. It has also enjoyed some organic growth in the trade paints business, [illegible] is likely to recommend a 1.5p (1.3p) interim dividend.

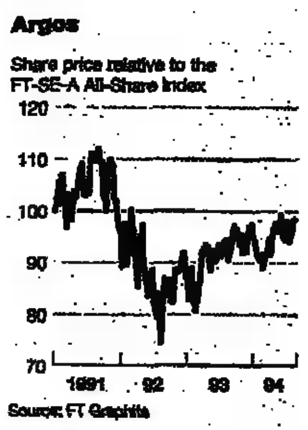
☐ Continued rate competition in the [illegible] insurance market could hold back profit growth at Sedgwick, the insurance broker, which reports its interim results on Tuesday. Analysts expect pre-tax profits [illegible] six months [illegible] be between £55m and £64m, against £54.1m.

☐ Britannic Assurance, the life insurance company, will on Wednesday announce its results for the first half of the year. Like other life companies, it is not required to [illegible] interim profits figures, so attention will focus on the interim dividend.

Last summer, the interim rose to 3.85p, against 3.433p. Analysts' [illegible] for the interim dividend this year are round 4.2p [illegible] 4.3p – an increase of 9 or 10 per cent.

☐ BICC, [illegible] and [illegible]struction company, reports its interim results on Wednesday. The results should show a further improvement in the group's main UK and US cable markets with pre-tax profits expected to nudge above £60m for the six months to the end of June, against a re-stated [illegible]

Earnings should be sufficient to cover a maintained dividend but increased payments to shareholders are some way off.



Source: FT Graphite

# Life company hits trouble

Whenever an organisation [illegible] "business as usual", the immediate reaction is that if this really were the position, there would be no call to say [illegible] *Smith* [illegible] *Tracy Corrigan.*

Even with that caution, the statement yesterday from Confederation Life in the UK that it was carrying on as normal, despite the intervention by Canadian regulators in its Toronto-based parent [illegible]pany, does contain some information to comfort UK custom[illegible].

First, there is the knowledge that most of the 250,000 UK policyholders come under the control of the British operation. This is ring-fenced from whatever happens to the Canadian company.

Then, there is the prospect that the UK operation is about [illegible] be sold to what Confederation Life describes as a "large financial services company of significant financial strength". That announcement was made earlier last week, although negotiations began a few months ago.

The talks, which are now in the hands of the Canadian regulators, are expected to be concluded very soon.

There are, however, about 35,000 [illegible] who took out policies from the UK branch when it was still part of the Canadian operation, before 1990. While they fall within the ambit of the parent company, the Canadian regulators intend to include this group as part of the sale of the UK subsidiary.

Both the Department of Trade and Industry and [illegible] Bank of England have been kept informed about the progress of disposing of the UK operation, which includes Confederation Bank. This offers residential mortgage loans and deposit account facilities.

While the bank has often featured in our Highest Rates table, the life [illegible]tion has been one of those named by the Office of Fair Trading as giving poor values to customers who give up long-term savings policies at a very early stage.

The main focus of its business is pensions and it is one of the leading providers of pooled pension products for medium-sized companies. It made pre-tax profits in 1993 of £27.9m against £14.2m in 1992.

If the worst were to happen and the UK company failed, the policyholders' protection scheme – [illegible] up in 1975 as a safety net for customers – would come into play and the priority would be to transfer the business on a working basis. [illegible] would be wound up only as a last resort.

Bondholders have also been left in a state of uncertainty. Dealers yesterday stopped making prices in Confederation Life bonds, which means that investors are unable to sell bonds at any price.

In the sterling market, the group has a £100m issue of 9½ per cent notes [illegible] 1997, arranged by S.G. Warburg, and a £100m issue of subordinated bonds due 2003, arranged by Barclays de Zoete Wedd. Some dealers said yesterday that the subordinated bonds are [illegible] viewed as worthless, as they will rank below other types of debt when any pay-out is made.

■ *Helpline for policyholders: 0800-834 072.*

### PERMANENT INTEREST-BEARING SHARES

| Stock | Coupon (gross %) | Minimum (£) | Issue date | Issue price (pence) | Price* (pence) | Yield* [illegible] |
|---|---|---|---|---|---|---|
| Birmingham Midshires | 9.38 | 1,000 | 16/12/93 | 100.17 | 87.25 | 10.74 |
| Bradford [illegible] Bingley | 11.63 | 10,000 | 30/9/91 | 100.20 | 114.00 | 10.20 |
| [illegible] Bingley | 13.00 | 10,000 | 29/6/92 | 100.13 | 125.25 | 10.38 |
| Bristol [illegible] West | 13.38 | 1,000 | 11/12/91 | 101.79 | 126.25 | 10.60 |
| [illegible] | 13.38 | 1,000 | 31/10/91 | 100.34 | 126.25 | 10.60 |
| Britannia (1st) | 13.00 | 1,000 | 13/1/92 | 100.42 | 123.25 | 10.55 |
| Britannia (2nd) | 13.00 | 1,000 | 8/10/92 | 107.18 | 123.25 | 10.55 |
| Cheltenham & Glouce | 11.75 | [illegible] | [illegible] | [illegible] | 116.50 | 10.10 |
| Coventry | 12.13 | 1,[illegible] | 28/5/92 | [illegible] | 116.25 | [illegible] |
| First National | 11.75 | 10,000 | 4/5/93 | 100.25 | 102.50 | 11.46 |
| Halifax | 12.00 | 50,000 | 23/1/92 | 100.28 | 118.75 | 10.11 |
| Halifax | 8.75 | 50,000 | 7/9/93 | 100.62 | 87.75 | 9.97 |
| [illegible] | 13.63 | 50,000 | 3/6/91 | 100.00 | 132.50 | 10.28 |
| Leeds & Holbeck | 13.38 | 1,000 | 31/3/92 | [illegible] | 125.00 | 10.70 |
| Newcastle | 12.63 | 1,000 | [illegible] | 100.45 | 119.25 | 10.77 |
| Newcastle | 10.75 | 1,000 | [illegible] | 100.32 | 101.38 | 10.60 |
| North [illegible] England | 12.63 | 1,000 | 23/6/92 | 100.14 | 119.25 | 10.59 |
| Skipton | 12.88 | 1,000 | 27/2/92 | 100.48 | 120.25 | 10.71 |

Source: Hoare Govett. *Purchase price as at August 11 ; excludes accrued interest.

Pibs

# Good news for the few

The [illegible] owners [illegible] Cheltenham [illegible] Gloucester's permanent interest-bearing shares will [illegible] entitled to a flat-rate payout of £500 and about 13 per [illegible] of [illegible] balance (subject to a maximum balance of £100,000).

The bad news is that very few private individuals hold [illegible] Pibs, which were [illegible] in denominations of £50,000 in October 1992. In any case, to qualify, [illegible] would need [illegible] bought [illegible] the [illegible] – [illegible] hold them [illegible] the day the proposed takeover of C&G by Lloyds bank takes place some time in the summer of 1995.

News [illegible] restructured [illegible] for [illegible] on Thursday (see page V) had lit[illegible] on [illegible] Pibs, according [illegible] Hoare [illegible] Peter Capel. He [illegible] spread – [illegible] difference [illegible] buying and selling – of C&G Pibs had tightened recently in anticipation of the proposed merger.

Pibs [illegible] issued by building societies to raise capital. They have no maturity date, so the investor's capital cannot be guaranteed. [illegible] they [illegible] irredeemable, investors can get back their money only by selling them on the open market.

In theory, they pay a fixed rate of interest indefinitely, [illegible] missed [illegible] payments do not mount up for payment at a later date. Pib-holders are last in line for repayment in the event of a wind-up and are not covered by a compensation scheme.

But even though the market is relatively small and illiquid – the sort of market in which institutions [illegible] than individuals are more usually to be found – private investors have been attracted to Pibs because of their [illegible] high yields, as the table shows.

These yields [illegible] generally linked to the gilts market; but, since building [illegible] issuer [illegible] government, [illegible] Pibs [illegible] relatively higher.

"The steepness of the yield curve means that Pibs continue to offer yields in excess [illegible] 10 per cent," [illegible] Capel. "This compares very favourably with the most recent Bank of England inflation report, which forecast that the underlying rate of inflation will peak between [illegible] per cent [illegible] the first quarter of 1995."

Variations in the price differentials between different Pibs are due to building society factors. [illegible] that are regarded as a better credit risk tend to have lower yields than others.

If the C&G/Lloyds merger goes through, prices for Pibs of other building [illegible] – particularly those deemed merger candidates – are expected to benefit. These include Bristol [illegible] West, Coventry, Skipton, Leeds [illegible] Holbeck, and Cheshire.

***Scheherazade [illegible]***

### NEW UNIT TRUST LAUNCHES

| Manager (Telephone) | [illegible] | Target Yield % | Full PEP [illegible] | Savings Schemes Avail. | Charges outside PEP – Initial % | Annual [illegible] | Other [illegible] | Minimum Invst. £ | Charges inside PEP – Initial [illegible] | Annual [illegible] | Other [illegible] | Minimum Invst. £ | Special offer – Discount [illegible] | [illegible] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ■ Mercury Income Portfolio | | | | | | | | | | | | | | |
| [illegible] (0800 445522) | UK Balanced | [illegible] | [illegible] | [illegible] | 5.0 | [illegible] | [illegible] | 10,000 | 5.0* | [illegible] | n/a | 10,000 | | - |

To boost the income, the annual charge is taken out of capital, not income. Invested in gilts (30%), UK equities (60%) overseas equities (10%)

*not available until September

## Directors' transactions

Directors at Seton Healthcare have been selling to improve liquidity in their stock. This happens quite often [illegible] nies where the shares [illegible] held tightly but there is strong institutional demand for [illegible]uity. [illegible] the stock too [illegible] a false market can [illegible] created. To avoid this, cor[illegible]te brokers may advise a release of some shares.

☐ Brandon Hire is involved in leasing all kinds of equipment including [illegible], furniture [illegible] power tools. It has been quoted on the Unlisted Securities Market since late 1989 but, in [illegible] few months, expects to get a full stock market listing. In order to satisfy the criteria required for this, chairman Brian [illegible] managing director Richard Bryan have sold stock to diminish their personal stakes. Other members of the board took the opportunity to acquire shares.

☐ Barry [illegible], chief execu[illegible] of electronics [illegible] Electron House, [illegible] worth more than £161,000 during the week to fund the purchase of a [illegible]. He [illegible] shares.

Vivien MacDonald
The Inside Track

### DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED [illegible] USM)

| Company | [illegible] | [illegible] | Value | No of [illegible] |
|---|---|---|---|---|
| **SALES** | | | | |
| Amersham Intnl | Hlth | 60,000 | 621 | 1* |
| [illegible] | RetG | 10,000 | 31 | 1 |
| Brandon | BCon | 750,000 | 480 | 2 |
| Daily Mail 'A' N/V | Mdia | 30,000 | 304 | 1 |
| Electron House | Dist | 105,000 | 162 | [illegible] |
| Johnson Fry | OthF | 45,159 | 83 | 1 |
| Leigh Interests | OS&B | 25,000 | 55 | 1 |
| Martin Shelton | OS&B | 10,000 | 10 | 1 |
| MEPC | Prop | 18,006 | 84 | [illegible]* |
| Rank Organisation | L&H | 3,439 | 14 | [illegible] |
| Seton Health Care | Hlth | [illegible] | 1 | 6 |
| Vibroplant | BCon | [illegible] | 25 | 1 |
| VTR | Mdia | 100,000 | 130 | 1 |
| **PURCHASES** | | | | |
| Ashtead | BCon | 8,000 | 31 | 1 |
| Brandon | BCon | 30,000 | 19 | 3 |
| Excalibur Group | Eng | 50,000 | 21 | [illegible] |
| Filofax | OS&B | 30,000 | 61 | 1 |
| Hampson Inds. | [illegible] | 40,000 | 28 | 1 |
| Hughes TJ | RetG | 20,000 | 14 | [illegible] |
| Personal Assets | InvT | 130 | [illegible] | 1 |
| Ransom (Wm) | Phrm | 20,000 | 10 | [illegible] |
| Savills | Prop | 70,000 | 55 | [illegible] |
| Sutcliff Speakman | Chem | 50,000 | 23 | 1 |
| Wainhomes(Pen.Fund) | BCon | 380,000 | 498 | [illegible] |

Value expressed in £000s. This list contains all transactions, [illegible] the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange August 1-5 1994.
Source: Directus Ltd, The Inside Track, Edinburgh

### PRELIMINARY RESULTS

| Company | [illegible] | Year [illegible] | Pre-tax profit (£000) | | Earnings* per share (p) | | Dividends* per share [illegible] | |
|---|---|---|---|---|---|---|---|---|
| Beales Hunter | E&EE | May | 2,630 | (2,240) | 19.2 | (16.2) | 6.7 | (6.4) |
| Flagstone | Prop | [illegible] | [illegible] | [illegible] | - | (-) | - | (-) |
| Howard Holdings | B&C | [illegible] | [illegible] | (205 L) | 1.07 | (-) | 0.8 | (0.5) |
| Save & Prosper (Inc) | InTr | Jun† | [illegible] | (100.0) | 32.91 | (44.58) | 33.5 | (44.1) |
| Scholes | E&EE | Jun | [illegible] | (4,310) | 12.3 | (7.7) | 1.7 | (6.0) |
| Tiphook | Tran | [illegible] | 331,100 L | [illegible] | - | [illegible] | - | (-) |
| Unit Group | PP&P | [illegible] | [illegible] | [illegible] | - | [illegible] | - | [illegible] |
| Westminster Health | Hlth | [illegible] | 11,200 | [illegible] | 16.7 | (12.6) | [illegible] | [illegible] |
| Wholesale Fittings | Dist | Apr | [illegible] | (2,020) | 11.22 | [illegible] | 11.7 | (11.7) |
| Wyko | Dist | Apr | [illegible] | (20 L) | - | (-) | 0.5 | (1.0) |

### INTERIM STATEMENTS

| Company | [illegible] | Half-year to | Pre-tax profit (£000) | | Interim dividends* per share [illegible] | |
|---|---|---|---|---|---|---|
| BOC | [illegible] | Jun§ | [illegible] | [illegible] | - | [illegible] |
| BPP | SpSv | Jun | 3,470 | (3,340) | 3.1 | [illegible] |
| Barclays | Bank | Jun | 1.04bn | [illegible] | 8.0 | (6.5) |
| British Airways | Tran | Jun¥ | 88,000 | (83,000) | - | (-) |
| British Alcan Aluminium | [illegible] | Jun | [illegible] | (6,200 L) | - | (-) |
| [illegible] Group | Med | Jun | 2,330 | (1,830) | 0.51 | (0.457) |
| [illegible] Leisure | B&C | Apr | 146 L | (117 L) | - | (-) |
| [illegible] Environment [illegible] | InTr | Jun† | 120.0 | (110.9) | - | (-) |
| Capital Shop Centres | [illegible] | Jun | 8,300 | [illegible] | - | [illegible] |
| City Merchants H-Yld | InTr | Jun† | 140.2 | [illegible] | 4.0 | [illegible] |
| Commercial Union | Ins | Jun | 181,000 | (86,000) | [illegible] | (9.75) |
| Division Group | [illegible] | [illegible] | 892 L | (10 L) | - | (-) |
| Drayton Far Eastern | InTr | Jun† | 155.08 | (164.6) | 0.125 | [illegible] |
| Ecclesiastical Ins | [illegible] | Jun | 8,180 | (4,760) | - | [illegible] |
| Edinburgh Oil & Gas | Oil | Jun | [illegible] | (103) | - | (-) |
| F&C Enterprise Trust | InTr | Jun† | 78.9 | [illegible] | - | (-) |
| F&C Investment Trust | InTr | Jun | 134.1 | [illegible] | 0.6 | (0.575) |
| Fidelity Japanese VI | InTr | Jun† | 103.32 | (95.0[illegible]) | - | [illegible] |
| Finsbury Smaller Cos | InTr | Jun† | 167.2 | [illegible] | 1.2 | (1.1) |
| Fleming Merc Inv Tst | InTr | Jul† | 335.8 | (-) | [illegible] | [illegible] |
| Flying [illegible] | [illegible] | Jul | 589 | (312) | 0.78 | (-) |
| [illegible] Property [illegible] | InTr | Jun† | 94.07 | (80.98) | - | (-) |
| GKN | EngV | Jun | 97,300 | [illegible] | 8.0 | (8.0) |
| [illegible] | Ins | Jun | 203,200 | (124,700) | 10.1 | [illegible] |
| Hemingway [illegible] | [illegible] | Jun | 1,250 | (581 L) | - | [illegible] |
| [illegible] Intl | [illegible] | Jun | 12,100 | (12,000) | 2.85 | [illegible] |
| [illegible] Chemical | Chem | [illegible] | 9,810 | [illegible] | 2.0 | [illegible] |
| Inpsec | [illegible] | Jun | 6,910 | (2,850) | [illegible] | [illegible] |
| Inv Tst of [illegible] | InCo | Jun† | [illegible] | (73.8) | 0.825 | [illegible] |
| Johnson Fry 2nd Utls | InTr | Jun† | 75.7 | (-) | 3.0 | [illegible] |
| Johnson [illegible] | [illegible] | Jun | 8,2300 | [illegible] | [illegible] | (2.8) |
| Kleinwort O'seas Inv | InTr | Jun† | 277.1 | (291.0) | [illegible] | [illegible] |
| Lilleshall | [illegible] | Jun | [illegible] | [illegible] | 1.85 | [illegible] |
| [illegible] & [illegible] | Tran | Jun[illegible] | 1,880 | [illegible] | [illegible] | (-) |
| London [illegible] | Prop | Mar | 116 L | (131 L) | - | (-) |
| Metal Bulletin | [illegible] | Jun | 1,210 | [illegible] | [illegible] | (2.8) |
| Microvitec | E&EE | Jun | 1,120 | (570) | - | [illegible] |
| [illegible] | n/a | Jun‡ | 2,380 | [illegible] | [illegible] | (8.5) |
| Nichols (JN) (Vimto) | [illegible] | Jun | 3,760 | (3,400) | 2.25 | [illegible] |
| Reed [illegible] | n/a | Jun | 314,000 | (261,000) | 1.78‡‡ | (1.67‡‡) |
| Reed Executive | SpSv | Jul | 2,780 | (177 L) | 1.0 | (-) |
| Royal Dutch/Shell | Oil | Jun | 1.52bn | (1.46bn) | - | (-) |
| Royal [illegible] | Ins | Jun | 191,000 | (52,000) | 4.0 | (2.5) |
| [illegible] & Saatchi | Med | Jun | 15,300 | (9,100) | - | (-) |
| [illegible] High-Yldg Cos | InTr | Jun† | 139.4 | (146.3♥) | 2.4 | (2.4) |
| [illegible] & [illegible] | Hlth | Jul | 65,800 L | (78,500) | 2.02 | (1.89) |
| Sotheby's Holdings | ReGn | Jun¢ | 23,300 | (19,100) | - | (-) |
| [illegible] | Bank | Jun | 237,000 | (170,000) | 2.25 | (1.875) |
| Thornton Pan-Euro | InTr | Jun♠ | 143 | (71) | 1.0 | [illegible] |
| Trade Indemnity | Ins | Jun§ | 74,400 | (71,300) | 0.4 | [illegible] |
| TransAtlantic Hldgs | LfAs | Jun | 44,200 | (30,200) | [illegible] | [illegible] |
| Transport Devlpt | [illegible] | Jun | 17,000 | (3,500) | [illegible] | (3.0) |
| Trans World Comms | [illegible] | Jun | 1,290 | (254) | - | (0.3) |
| Union | OthFn | Jun | 793 L | (11,310) | 1.5 | (-) |
| WPP | Med | Jun | 38,200 | (24,130) | 0.385 | (0.35) |
| Ward | B&C | Apr | 2,080 | [illegible] | 0.5 | (-) |
| Wembley | L&H | Jun | 9,730 L | (2,580) | - | [illegible] |
| Woolwich | n/a | Jun | 133,000 | (87,900) | - | [illegible] |

([illegible] in parentheses are for [illegible] corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss. † Net asset value per share. ‡ Irish punts and pence. ¥ 3 month figures. [illegible] Figure at launch in March. ¢ US dollars and cents. ♣ Nine month figure. § Gross premium income. ¢ Net Revenue. ♥ Figure at year end. ♠ Second interim dividend. ‡‡ Dutch guilders.

### RIGHTS ISSUES

Commercial Union is to raise £322m via a 1 - 8 at 475p rights issue.
Select Appointments is to raise £44m via a 1.64 - 1 at 12.5p rights issue of 352m shares.

### RESULTS DUE

| Company | Sector | Announcement due | Dividend (p)* Last year Int. | Last year Final | This year Int. |
|---|---|---|---|---|---|
| **FINAL DIVIDENDS** | | | | | |
| Aitken Hume International | OthFn | Tuesday | - | 1.0 | - |
| Angerstein Underwriting | Ins | Tuesday | - | - | - |
| Armitage Bros. | [illegible] | [illegible] | 2.6 | 3.5 | 2.7 |
| BBS Design | [illegible] | Thursday | - | - | - |
| Dunedin Japan [illegible] Tst | InTr | Wednesday | - | - | - |
| Epwin | BdMa | Monday | 2.3 | 6.2 | - |
| Impala Platinum | Extr | Tuesday | - | - | - |
| Lazard High Income Trust | InTr | [illegible] | - | - | 1.6 |
| [illegible] | E&EE | Tuesday | [illegible] | [illegible] | [illegible] |
| [illegible] | E&EE | Tuesday | 0.79 | [illegible] | [illegible] |
| [illegible] | E&EE | Thursday | - | - | - |
| Syndicate Capital Trust | Ins | Thursday | - | - | - |
| US Smaller Co's Inv Trust | InTr | Monday | - | 0.3 | - |
| **INTERIM DIVIDENDS** | | | | | |
| Alliance Trust | InTr | Monday | 14.5 | 32.5 | - |
| BICC | E&EE | Wednesday | 8.0 | 13.28 | - |
| Cantab Pharmaceuticals | Phrm | [illegible] | - | - | - |
| Cheshire Building Society | n/a | [illegible] | - | - | - |
| City Centre [illegible] | L&H | Thursday | 0.45 | 1.33 | - |
| Dawsongroup | Tran | Thursday | 1.8 | 3.0 | - |
| [illegible] & Scottish [illegible] | InTr | Thursday | 1.75 | - | - |
| Evans Halshaw | Dist | Tuesday | 3.8 | 9.2 | - |
| HSBC | Bank | Monday | 7.0 | 15.5 | - |
| [illegible] Life | [illegible] | Tuesday | - | - | - |
| Jourdan (Thomas) | [illegible] | Friday | 0.5 | 0.5 | - |
| Lowe (Robert H) | Text | [illegible] | - | - | - |
| Malaya Group | Dist | [illegible] | - | - | - |
| Mercury World Mining Trust | InTr | Wednesday | - | - | - |
| Micro Focus | SpSv | Tuesday | - | - | - |
| Midland Bank | Bank | Monday | 1.7 | 1.7 | - |
| Moorfield Estates | Prop | Wednesday | - | - | - |
| [illegible] Midland Construction | B&C | Wednesday | [illegible] | - | - |
| Paribas [illegible] Investment Tst | InTr | Wednesday | - | 1.0 | - |
| [illegible] | Dist | Wednesday | 0.3 | 0.45 | - |
| Regal Hotel | L&H | [illegible] | - | - | - |
| Relyon | HseG | Monday | 1.9 | 3.3 | - |
| [illegible] Westgarth | Eng | Thursday | [illegible] | 1.9 | - |
| River & Mercantile Geared Cap. | InTr | Thursday | - | - | - |
| Schroder Split Fund | InTr | Monday | - | - | - |
| Sedgwick | Ins | Tuesday | 3.0 | 3.0 | - |
| Serif | PP&P | Monday | - | - | - |
| Takare | Hlth | [illegible] | [illegible] | [illegible] | - |

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. Reports and accounts are not normally available until about 6 weeks after the board meeting to approve preliminary results. † 1st quarterly. ♦ 2nd quarterly. ★ 3rd Quarterly

### TAKE-OVER BIDS AND MERGERS

| Company bid for | Value of bid per share** | Market price** | Price before bid | Value of bid £ms** | Bidder |
|---|---|---|---|---|---|
| | Prices in pence unless otherwise indicated | | | | |
| Bredero Props. | 10* | 10 | 15 | 3.70 | Slough Estates |
| Castle Comms | 360* | 3553 | 340 | 24.50 | ACE Holdings |
| Davenport Vernon | 167 | 156 | 113 | 32.30 | Evans Halshaw |
| Elswick | 18¼ | 17 | 12 | 37.70 | Ferguson Int'l |
| Great Southern | 775* | 765 | 475 | 112.90 | Service Corp Int |
| Do. Prf. | 309* | 311 | 180 | 16.28 | Service Corp Int |
| LEC [illegible] | 358* | 355 | 355 | 21.70 | Sime Darby |
| Low (Wm) | 360* | 362 | 169 | 247.00 | Tesco |
| Low (Wm) | 305* | 362 | 280 | 210.00 | Sainsbury (J) |
| NMC ‡ | 159§§ | 157 | 159 | 113.00 | Britton |
| Scholes | 250* | 254 | 193 | 96.10 | Hanson |
| Spear (J.W) | 1100*§ | 740 | 740 | 46.90 | Hasbro |
| Spear (J.W.) | 1000* | 740 | 740 | 52.00 | Mattel |
| Towles | 275* | 268 | 243 | 4.22 | London City |
| Trans World | 181 | 178 | 173 | 70.60 | EMAP |

*All cash offer. §For capital not already held. ‡ Unconditional. **Based on 2.30 pm prices 12/8/94. §§Shares and cash.



هكذا في الأصل

FINANCE AND THE FAMILY

# Black horse looks a banker

*Lloyds likely to succeed in C&G bid, say* ***Alison Smith and Scheherazade Daneshkhu***

Cheltenham [illegible] Gloucester building society [illegible] UK's most self-confident mortgage [illegible] usually [illegible] itself in the role of an organisation driven by events.

Yet, chief executive Andrew Longhurst could not emphasise strongly enough this week that his board originally had intended all C&G's members to make a windfall gain in sharing out the £1.8bn cash takeover bid from Lloyds Bank.

He stressed that the society had been forced to produce a more restricted scheme for spreading the money among fewer members only because of a High Court ruling.

Acknowledging that people now excluded from the payments – investors who opened accounts after the end of 1992, and all borrowers – would be unhappy, Longhurst sought to pre-empt criticism by saying C&G had wanted to include them.

"If they are to be described as victims," he added, "then they are the law's victims or the government's victims – not C&G's victims."

Although borrowers will get no cash payments, they should benefit from the more competitive [illegible] expected [illegible] from C&G becoming part of the Lloyds bank group.

Like C&G investors, those in the former Heart [illegible] England building society, the business of which was transferred to C&G last October, will qualify for payments if they opened investment accounts before the end of 1992.

All payments will be made soon after completion of the deal. This is now expected next summer if it is approved by a special general meeting in March.

Some C&G members, however, are not convinced that C&G had no choice but to act as it has done. Their questions include:

■ Why was there no appeal against the High Court judgment restricting payments?

■ Why did the society not simply set a different cut-off date for qualifying investors to include more of them, even at the expense of extending the timetable for the deal to proceed?

Longhurst said C&G had not appealed because there was no guarantee the appellate court would have ruled in the society's favour. In any case, he added, such a move certainly would have involved another extension of the original timetable.

The original [illegible] announced in April. C&G feels renewed uncertainty over its future would have a poor effect on both the society and the bank.

Those who see things differently include Paul Rivlin and Peter Nicholson, [illegible] organising members [illegible] a [illegible] Group, which intends to call for a special general meeting in the autumn. It takes 100 [illegible] to call for such a meeting.

Rivlin says there are three broad subjects which the group would like the board to discuss properly with members:

■ Whether to retain mutual ownership.

■ Whether to float the society [illegible] simply transferring [illegible] an existing organisation such as Lloyds.

■ [illegible] other potential [illegible] for C&G. (This would include discussing the society's [illegible] valuation).

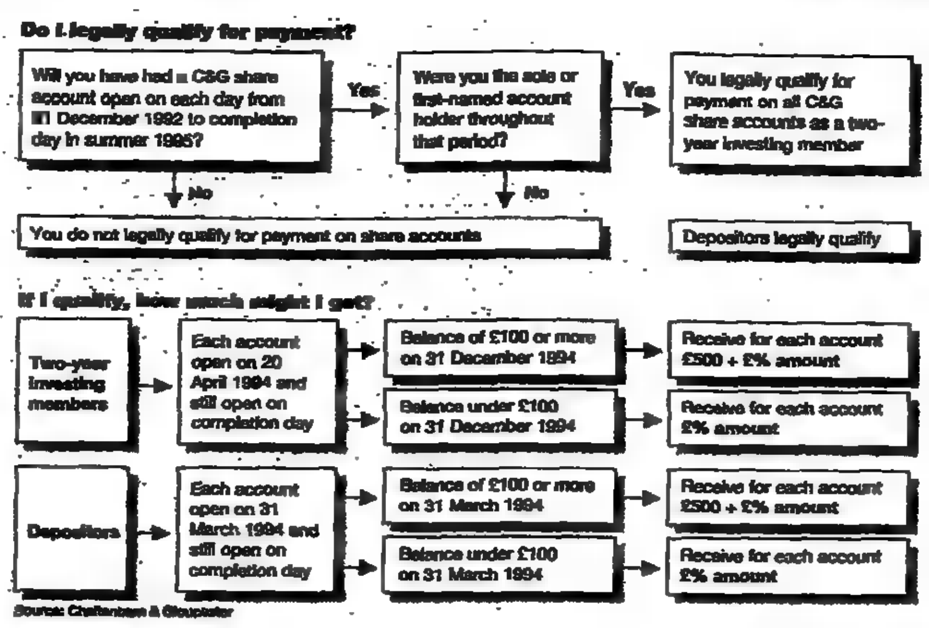
The [illegible] Lloyds depends on approval by C&G's borrowers and [illegible] in two separate votes.

The society has 370,000 borrowers and a simple majority of their votes is required. There is no minimum voting threshold for borrowers.

But the investors' resolution must be approved by at least 75 per cent of those who vote. It [illegible] be approved by at least half of the total number of investors eligible to vote, or investors holding 90 per cent of the total balances of those eligible to vote.

The recent history of building societies suggests the great majority of members are content to accept the judgments of their boards about how they should progress.

On that basis, even if the alternatives group gets its special general meeting and despite [illegible] high [illegible] approval the Lloyds bid must win from members, C&G looks likely [illegible] with [illegible] black horse.



Source: Cheltenham & Gloucester

## Winners and losers . . .

The winners are qualifying investors who opened accounts before the end of 1992 (and maintain them until the completion date), children and trustees, who had been excluded first time round.

Losers are borrowers and savers who opened accounts after 1992. Because far fewer people qualify, they will receive more.

■ Investors – savers who are members of the society – will get, [illegible] each account, around 13 per cent of the balance and, if they have more than £100 at the end of December this year, a flat-rate payment of £500, up to a maximum of £13,500 for each account. Depositors will get similar amounts.

■ The average payment to an [illegible] will be about £2,000; payments are expected to be taxed as capital gain.

■ If the balance on a share account was higher on April 20 than on March 31 this year, the percentage payout will be based on the lower balance of April 20 or com[illegible]on day. Similarly, those [illegible] had a higher balance on March 31 will be paid [illegible] per cent on the lower balance of that day or completion day.

■ Those with joint share accounts will not qualify for payment if the sole or first-named [illegible] holder died/dies between December 31 1992 and completion day, *unless* the surviving account holder qualifies in their own right on another account.

■ Holders of Pibs and C&G Channel Island [illegible] will get £500 and the 13 per cent.

# The endowment trap

*Surrender [illegible] lose, [illegible]* ***Scheherazade Daneshkhu***

Cashing in an endowment mortgage within the first five years is likely to lose you far more money than paying off a repayment mort[illegible] early. But [illegible] remain [illegible] type, mainly because [illegible] based [illegible] make more from them.

[illegible] comprise an interest-only loan and a stock market-linked savings plan, with life insurance thrown in. If the [illegible] plan [illegible] in line with expectations, it should pay off the capital sum at the end of the term; any amount remaining can be taken as a tax-free lump sum. The borrower's monthly payments are made up of [illegible] interest payable to the lender and premiums to the life office.

Banks and building societies are paid commission for selling endowments but not for the repayment type, which does not have a life insurance element. Monthly instalments on a repayment mortgage cover interest and capital.

The Office of Fair Trading is expected to publish figures [illegible] autumn showing that, if an endowment [illegible] surrendered at the end of the first year, anyone paying £100 a month for a policy (equating roughly to a mortgage of just over [illegible] would, on average, be £600-£800 worse off than if [illegible] had taken out a repayment [illegible].

If the surrender occurred at the end of the fifth year, then the relative disadvantage would be £1,600-£1,800 on average. In the worst [illegible] the disadvantage can be twice [illegible] average.

The main problem is [illegible] der values. An OFT report in June found wide disparities in the surrender values of life [illegible] veying 60 of the UK's largest life insurers, and our table [illegible] out. In all three [illegible] in the repayment mortgage is a cheaper option than an endowment.

You would, however, be far worse off with an endowment mortgage from Allied Dunbar, if you redeemed it within five years, than from the other lenders. This is because Allied Dunbar pays nothing for surrender in the first five years, even though the [illegible] would have paid in premiums of £4,266 by the end of the fifth year.

Allied Dunbar says: "Our adaptable endowment plan is only offered to cover mortgages [illegible] there is a client need for the product to be sustained [illegible] cover the [illegible] over its full period."

Early surrender values are of [illegible] concern [illegible] consumer groups. Although an [illegible] ideally should be regarded [illegible] long-term savings plan, many [illegible] do surrender early. According to the OFT, figures from one lender suggest about one-third of endowment poli[illegible] first four to five years.

If you want to repay your mortgage early, it is a better idea to pay off the capital but keep the endowment going as a separate savings plan.

Repayment mortgages have drawbacks, too. In the early [illegible] for instance, you pay more in interest than reducing capital. And, if you move often, you will find you make little headway on paying off the capital.

**How do they compare? (£)**

| £50,000 mortgage | Monthly cost | 1 yr | 2 yrs | 3 yrs | 4 yrs | 5 yrs |
|---|---|---|---|---|---|---|
| **Halifax (7.64%)** | | | | | | |
| Repayment total cost (a) | 340 | [illegible] | [illegible] | 9,916 | [illegible] | 16,214 |
| Endowment total cost (b) | | 3,[illegible] | 7,685 | 11,012 | 14,278 | 17,478 |
| Interest | 280 | 3,[illegible] | 6,723 | 10,085 | 13,447 | 16,808 |
| Life premiums | 75 | 901 | 1,803 | 2,704 | 3,605 | 4,507 |
| Surrender value | | 407 | 841 | 1,777 | 2,776 | 3,839 |
| Difference between a & b | | 494 | 1,017 | 1,096 | 1,177 | [illegible] |
| **Abbey National [illegible]** | | | | | | |
| Repayment total [illegible] (c) | 343 | 3,406 | 6,756 | 10,048 | 13,345 | 16,434 |
| Endowment total cost (d) | | 4,198 | 7,801 | 11,191 | 14,525 | 17,802 |
| Interest | 284 | 3,406 | 6,811 | 10,217 | 13,622 | 17,028 |
| Life premiums | 70 | 838 | 1,677 | 2,518 | [illegible] | 4,192 |
| Surrender value | | [illegible] | 687 | 1,541 | [illegible] | 3,418 |
| Difference between c & d | | 792 | 1,045 | 1,143 | 1,180 | 1,368 |
| **Allied Dunbar** | | | | | | |
| Repayment total cost (e) | 340 | 3,362 | 6,688 | 9,916 | 13,099 | 16,214 |
| Endowment total cost (f) | | 4,215 | 8,429 | 12,645 | 16,860 | 21,074 |
| Life premiums | 71 | 853 | 1,706 | 2,560 | 3,413 | [illegible] |
| Interest (7.64%)§ | 280 | 3,362 | 6,723 | 10,085 | 13,447 | 16,808 |
| Surrender value | | 0 | 0 | 0 | 0 | 0 |
| Difference between e & f | | 853 | 1,761 | 2,729 | 3,761 | 4,860 |

*The table is based on a £50,000 mortgage payable over 25 years; the lenders' standard variable rate is shown in brackets. Repayment total cost figures are the sum of monthly repayments minus the outstanding capital (not shown). Endowment premiums are based on a non-smoking male aged 30 next birthday. § Allied Dunbar endowments to back mortgages can be assigned to any interest-only mortgage. The interest rate shown and the calculation for the repayment total cost line are based on a mortgage rate of 7.64 per cent.*

**HIGHEST RATES FOR YOUR MONEY**

| | Account | Telephone | [illegible] | Minimum deposit | Rate % | Int. paid |
|---|---|---|---|---|---|---|
| **INSTANT ACCESS A/cs** | | | | | | |
| Confederation Bank | Liquidity | [illegible]744500 | Instant | £100 | 4.90% | Yly |
| Bradford & Bingley BS | Direct Premium | 0345 [illegible] | [illegible] | [illegible] | [illegible] | Yly |
| Skipton BS | [illegible] High Street | 0756 700511 | [illegible] | [illegible] | [illegible] | Yly |
| Nottingham BS | [illegible] | 0602 [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| **NOTICE A/cs and BONDS** | | | | | | |
| Bradford & Bingley | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | Yly |
| Northern Rock BS | [illegible] | 0500 505000 | [illegible] | £10,000 | [illegible] | Yly |
| National Counties BS | 90 [illegible] | 0372 742211 | [illegible] | [illegible] | [illegible] | Yly |
| [illegible] BS | [illegible] Bond | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| **MONTHLY INTEREST** | | | | | | |
| Britannia BS | Capital Trust | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Bradford & Bingley BS | [illegible] Notice | 0345 248248 | [illegible] | [illegible] | [illegible] | [illegible] |
| Scarborough BS | Scarborough [illegible] | 0800 590578 | 90 [illegible] | [illegible] | [illegible] | [illegible] |
| Bristol & West BS | Fixed Rate Bond | 0272 294271 | 5 [illegible] | [illegible] | [illegible] | [illegible] |
| **TESSAs (Tax Free)** | | | | | | |
| Confederation Bank | | 0438 744500 | 5 Year | £8,900 | 8.00%F | Yly |
| Hinckley & Rugby BS | | 0455 251234 | 5 Year | £3,000A | 7.35% | Yly |
| Melton Mowbray BS | | 0664 63937 | 5 [illegible] | £1 | [illegible] | Yly |
| Nottingham BS | | 0602 481444 | 5 Year | £1 | [illegible] | Yly |
| **HIGH INTEREST CHEQUE A/cs (Gross)** | | | | | | |
| Halifax BS | [illegible] Reserve | 0422 3[illegible] | Instant | £5,000 | 4.50% | [illegible] |
| Caledonian Bank | HICA | 031 556 8235 | Instant | £1 | 4.75% | Yly |
| Ch[illegible] | Classic Postal | 0800 717515 | Instant | £2,500 | 5.75% | Yly |
| | | | | [illegible] | [illegible] | Yly |
| **OFFSHORE ACCOUNTS (Gross)** | | | | | | |
| [illegible] Guernsey Ltd | International | 0481 715735 | Instant | [illegible] | 5.75% | Yly |
| [illegible] Channel Islands | [illegible] Gold | [illegible] 822747 | [illegible] | £20,000 | 6.20% | Yly |
| Confederation Bank (Jsy) | Flexible Inv | [illegible] 608060 | 60 Day | £25,000 | 6.80% | ½Yly |
| Confederation Bank (Jsy) | Investment Cert | [illegible] 608060 | 5 Year | £10,000 | 8.25%F | Yly |
| **GUARANTEED INCOME BONDS (Net)** | | | | | | |
| Liberty [illegible] | | 081 440 8210 | 1 Year | [illegible] | 5.30%F | Yly |
| [illegible] Life | | 081 680 7172 | 2 Year | £20,000 | 6.00%F | Yly |
| Laurentian Life | | 0452 371371 | 3 Year | £20,000 | 6.70%F | Yly |
| General Portfolio | | 0279 462839 | 4 Year | £50,000 | 7.00%F | Yly |
| [illegible] | | 071 454 0105 | 5 Year | £10,000 | 7.80%F | Yly |
| **NATIONAL SAVINGS A/Cs & BONDS [illegible]** | | | | | | |
| | Investment A/C | | 1 Month | £20 | 5.25%G | Yly |
| | Income Bonds | | 3 Month | £2,000 | [illegible] | Mly |
| | Capital Bonds H | | 5 Year | £100 | [illegible] | [illegible] |
| | First Option Bond | | 12 Month | £1,000 | [illegible] | Yly |
| | Pensioners GIB | | 5 Year | £500 | 7.00%F | Mly |
| **NAT SAVINGS CERTIFICATES (Tax Free)** | | | | | | |
| | 41st Issue | | 5 Year | £100 | 5.40%F | OM |
| | 7th Index Linked | | 5 Year | £100 | 3.00%F +Infln | OM |
| | Childrens Bond F | | 5 Year | £25 | 7.35%F | OM |

This table covers major banks and [illegible] Societ[illegible] only. All rates [illegible]ept those under heading Guaranteed Income Bonds) are shown Gross. F = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N= Net Rate. P= By Post only. A = Feeder account also required. B= 7 day loss of interest on all withdrawals. G= 5.75 per cent on £500 and above; 6 per cent on £25,000 and above. H= 6.75 per cent on £25,000 and above. I= 6.40 per cent on £20,000 and above. Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Loke, North Walsham, Norfolk, NR28 0BD. Readers can obtain an introductory copy by phoning 0692 500677. Figures compiled on: 11 August 1994

FINANCE AND THE FAMILY

# Gilt deals in danger

*A privatised postal service could end them, says* ***Barbara Ellis***

Cheap dealing in gilts for personal investors could [illegible] under threat in the privatisation [illegible] the postal brokerage [illegible] now run by National Savings. Thirty companies had applied by [illegible] August 5 deadline to [illegible] part in the tender, including Barclays, Lloyds, National Westminster and Sharelink. Seven will be [illegible] to bid in [illegible] in competition with National Savings' [illegible] team.

As the table shows, the National Savings postal dealing service [illegible] has both [illegible] minimum charge and the lowest commission [illegible] worth [illegible] about £12,000.

In [illegible] April, National [illegible] handled [illegible] postal gilts transactions, worth [illegible] with purchases averaging £4,751 in value and sales £4,627. During the bout [illegible] enthusiasm for gilts brought on by falling interest [illegible] in [illegible] it did 133,800 postal deals worth £534m.

The cost to investors does not appear, however, to have been a prime consideration for officials at the Department for National Savings who are in charge [illegible] the tender, [illegible] in [illegible] initial [illegible]

Nigel Bartram, Sharelink's marketing director, [illegible] National Savings had approached his company some months before the tender was advertised, asking if it would be interested in bidding.

"We had a request for a certain amount of information, none of which bears on cost," he said. The focus had been on quality of service, performance measurement, and volumes and types of [illegible]

Bartram said it was too early for Sharelink to judge if the gilts business would be worth a bid if the company got on to the final list but the charging structure looked unattractive.

"The charges levied by the National Savings stock register [illegible] very significantly below [illegible] that [illegible] anywhere else," he said. "If anybody is investing from time to time in gilts, that is the most cost-[illegible] way. But if you want real-time prices and [illegible] dealing, you go to a broker."

Bartram added that the pric[illegible] of the [illegible] Savings gilts service was based on promoting the sale of government debt rather than ensuring the service provider could cover costs and make a margin.

Sharelink, mainly a telephone-based share-dealing service, handles about £1.4bn worth of equities a year but only between £700,000 and £1m a year in gilts deals. The firm says this reflects the low level of private investor activity in the sector.

Although other potential bid[illegible] in detail, they [illegible] well [illegible] Bartram's [illegible] "We would not be interested in running a service [illegible] loss on behalf of the government."

**What it costs to buy or sell gilts**

| Institution | Min com | [illegible] of [illegible] or purchase [illegible] | | | | | |
|---|---|---|---|---|---|---|---|
| | | [illegible] | £5,000 | £10,000 | £20,000 | £50,000 | £100,000 |
| Natnl Savings Stock Reg* | £1 [illegible] | [illegible] | £20 | £40 | £80 | £200 | [illegible] |
| Barclays (branch**) | £25 | [illegible] | £37.50 | £75 | £112.50 | £157.50 | £232.50 |
| Lloyds Bank | £18.50 | £18.50 | £25 | £50 | £100 | £150 | £200 |
| NatWest Bank | £25 | £25 | £37.50 | £50 | £75 | £112.50 | [illegible] |
| Sharelink | £20 | [illegible] | £56.25 | £61.25 | £71.25 | £101.25 | £251.25 |
| Fidelity | £25 | £25 | £50 | £50 | £50 | £100 | £100 |
| Midland | £20 | £25 | £50 | £62.50 | £78.75 | £116.25 | £150 |

*The table shows commission (including minimum commission) on the sale or purchase of gilts. *National Savings has a daily limit on dealings of £25,000 per stock; minimum sale commission is 10p. **Commission by telephone to Barclays [illegible] £15 (min) and £18.75 on £2,500.*

## The Professionals / James Capel

# First with the latest

***Joanna Slaughter*** *[illegible] investment managers*

A[illegible] Capel, the directors of [illegible] UK investment [illegible] ment division like to boast [illegible] private clients receive the [illegible] market information before [illegible] institutions. Certainly, Capel's independent [illegible] respected and admired, thanks [illegible] the [illegible] analysis league tables.

The firm also [illegible] an advantage as [illegible] Britain's oldest stockbrokers, and from safeguarding its independence while benefiting [illegible] Hongkong [illegible] Shanghai [illegible] Corporation [illegible] acquired Capel eight years ago.

Simon Corbett, the director in charge of the division, says: "Stock selection is what James Capel is [illegible] at, [illegible] stock selection is the edge that we have.

"[illegible] are [illegible] stockbrokers, and I think it is very important in managing private client portfolios to continue [illegible] involved with the market, minute by minute."

Capel is willing to construct a portfolio of equities for a pri[illegible] with [illegible] of assets, a relatively modest minimum figure in today's market place. The house view is that each client needs at least 20 stocks for spread [illegible] £5,000 [illegible] the minimum working unit for a shareholding.

The client's exposure to over[illegible] is provided by collective [illegible] and, [illegible] £500m of private client money in unit trusts and investment trusts, Capel devotes considerable research to these investment vehicles.

Andrew Withey, [illegible] investment strategist, explains: "We rate all the major unit trusts, investment trusts and offshore funds on a scale of A [illegible] E, and [illegible] Capel trusts are assessed and rated like anyone else in the market. We go through the performance and the portfolios and, in a lot of cases, we will have the managers in."

Although Capel is basically an equity house, the acquisition of Midland bank by HSBC brought W. Greenwell into the fold. With Greenwell came a wealth of gilts expertise, and Capel's directors argue that one of the firm's strengths is the diversity of experience it can bring to private client portfolio management.

Private investors are the firm's main pre-occupation, and Corbett points to the large number of people there who are dedicated to the business of running private client money. There are 59 private client fund managers, 40 of whom are front-line private client executives.

There are no formal white or black lists of shares to constrain the managers, but Corbett says they would not buy shares in companies not followed by James Capel and the other three investment houses from which it takes research.

Each manager appears to have considerable freedom but there is no cover for rogue elephants. The managers meet each morning, to discuss deals done the previous day, and the purchase of a strange or wayward stock would be exposed quickly.

The strategy committee confers monthly and provides the models around which the investment managers work. Withey, who chairs the committee, [illegible] it tries not to make dramatic overnight asset allocation shifts.

He adds: "Back at the end of last year we were a bit nervous and raised about 3 or 4 per cent in cash, but today [illegible] all but fully invested." The framework asset allocation for equity portfolios reflects this view, with 99 per cent of the holding in shares and the 1 per cent balance in cash.

Four per cent of the equity portfolio is in emerging markets and Withey says: "Investment money follows growth. Most of the mature economies of the world are struggling to grow at 2 or 3 per cent, but, if you look at emerging markets, growth is 5 or 6 per cent."

For balanced portfolios, the Capel breakdown is: UK equities, 61 per cent; US, 5 per cent; Japan, 5 per cent; Europe, 3 per cent; Mature Pacific, 3 per cent; Emerging Pacific, 1 per cent; other emerging markets, 2 per cent; long-dated gilts, 13 per cent; short-dated gilts; 2 per cent; index-linked gilts, 1 per cent; overseas bonds, 1 per cent; and cash, 1 per cent.

Sixty per cent of Capel's private client money is managed on an advisory basis and, although the firm's preference is for discretionary money, Corbett concedes: "It is a very good discipline to have advisory clients. You have got to sell advice to them, and that means you have to get your act together."

Unlike some leading private client stockbrokers, Capel has moved to management fees on the ground that this is a "much fairer way" to pay for its services. But the strategy is to keep charges relatively low and competitive: the minimum annual fee is £750. Discretionary clients also receive a 40 per cent discount on transaction charges.

Capel sometimes [illegible]ertises its private client services and it would be strange if the directors had not cast a glance at the potential of Midland bank to introduce new clients.

The most prolific source of new business is, however, the firm's existing clients. "They're the best sales force we have," says Corbett.

**[illegible] factfile 8**

**James Capel**
**James Capel [illegible]**
Established: 1775
[illegible]: SFA
Number of offices in UK: One
Number of offices worldwide: 27 in 25 countries
Funds under management: £4.5bn (private client money); £33bn (group)
Number of UK private clients: 10,500
Number of expatriate/foreign national private clients: 1,650
Minimum investment for private clients: £100,000 (portfolio of equities);
£25,000 (managed fund portfolio service)
Current asset allocation for private clients: 61%; overseas equities, 19%; bonds, 19%; cash, 1%
Average annual portfolio turnover: 25-30%
Fees: 0.6% on first £500,000, 0.3% next £500,000 and 0.15% thereafter (minimum £750 a year)
plus transaction commissions at a 40% discount (discretionary clients);
£250 administration fee plus transaction commissions ranging from 1.85% to 0.5% (advisory clients)

MINDING YOUR OWN BUSINESS

# Games that build teams

You could be forgiven for thinking [redacted] Guy Baker is [redacted] Australian beach bum taking [redacted] short break from the [redacted] and strains [redacted] windsurfing.

But while this does number among his many hobbies, the sun-bleached hair and tanned skin are deceptive. At 34, Baker is the managing director of Catalyst Event Management, an unusual team-building company which has experienced enormous growth over its near five-year existence.

Baker is a communication studies graduate with a PhD in recreational management. He began work at the sports council in London. He moved from there to Catalyst in the Lake District to run the outdoor team-building project, Loophole, an adaptation of the BBC TV programme, *Now Get Out of That*. At that time, there were many companies coming up to the Lakes to get involved with similar projects with Catalyst's competitors.

"We thought that rather than the companies coming up here, we would go to them," says Baker. "That way we could reach the people with bigger budgets, such as the sales and marketing departments."

Catalyst is based just outside Kendal in a large house. Sales director John Bird has an office in the Midlands. There are also small franchises in Washington and Cyprus. Catalyst has a staff of eight at Kendal but, for large events, it recruits experts to teach specific skills needed in the team-building activities. Events have been carried out in locations ranging from Brighton and Nottingham to Slovakia and Cyprus.

The games include *Fifteen Famous Minutes*, where teams produce their own Hollywood movie. *Gone With the Wind* and *The Three Musketeers* are two typical examples for which the filming equipment, full costume, make-up and such crucial accessories as Havana cigars, are provided to get into the spirit of the game. A typical film would cost companies around £1,000 for a team of 15.

Other team-building skills might include conquering the wild west or playing at being a hot-shot reporter.

Catalyst does run games that encompass the more traditional forms of team-building, with an emphasis on physical competitiveness and stamina. But, says Baker: "We have steered away from anything traditional, which is why clients find it fun. We help people to use the right-hand side of the brain, the creative side, which is all too often untapped."

Catalyst was started as a venture capital project in 1989 by Beacon Broadcasting Communications. Beacon bore most of the start-up costs of about £100,000, and not everything has been rosy. Turnover in the first year was £30,000. It rose to £500,000 in 1992. Then Baker and fellow team-builder Martin Ruby decided to go it alone. They raised £50,000 from shares and arranged a £10,000 overdraft facility from the bank. It was not easy to convince the banks that an independent Catalyst would be feasible.

Last year, their first since independence, turnover reached almost £1m and profits were about £50,000.

But again, there have been setbacks. The company was surprised by a £12,000 tax bill. "I've never been in a business before which made money so it was a bit of a shock when we had to pay this much tax," says Baker.

Cumbria is not the most fashionable location for a business dealing with multinational clients, but Baker is not deterred by what he calls the company's geographical snob problem.

Expansion plans are constantly considered, but Guy is not too worried if they do not come off in the end. "There's no need for us to grow as long as we maintain our present business," he says.

■ *Guy Baker, Catalyst Event Management, Ruby House, Burneside Road, Kendal, Cumbria, LA9 4RL. Tel: 0539-741100 Fax: 0539-741104.*

**Sarah Roe**

Trouble at the mill: Nigel Moon works seven days a week

Colin Beere

# And the miller told his tale . . .

*Clive Fewins hears Nigel Moon whistle for the wind*

Oh damn! It's stopped! This plaintive cry [redacted] a normal part [redacted] daily proceedings [redacted] Nigel Moon [redacted] up [redacted] the stationary [redacted] on his [redacted] windmill and whistles [redacted] wind.

Downfield Mill, a brick-built, [redacted] wind-mill in the Cambridgeshire fen country at Soham, near Ely, has belonged to Moon for 20 [redacted].

[redacted] graduate in history and archaeology, he always wanted to buy [redacted] windmill. So, when the chance came to buy Downfield for £5,000 at the age of 22, he left his [redacted] with the Leices[redacted] and took a variety of part-time jobs for [redacted] five [redacted] to restore the building to working [redacted].

[redacted] a full-time miller [redacted] project was completed (apart from an enforced break in 1986 when he spent a year re-building the 36ft sails). The time has gone quickly. On milling days, a flour-covered Moon can be seen dashing frantically around the five floors, tools usually in band as he strives to keep all systems going.

On the days he is not milling, he is on the road delivering his organic brown and white flour, milled oats, rye, maize and barley to whole-food warehouses, bakers, and hotels all over the Midlands. "Sadly, I spend far too much time on the road. Travel is my Achilles heel as I live in Leicester, 79 miles away from the mill.

"The [redacted] I [redacted] moved [redacted] mainly economic. Although I have tried, I [redacted] been unable to develop new markets round the fens. All my selling is in my native Midlands. To move to Soham would mean more, not less, time on the road."

Although it is an exhausting, seven-day-a-week occupation, Moon says he would not do anything else. He last took a holiday 20 years ago.

"I certainly don't do [redacted] job for the money," [redacted] said. "Last [redacted] I turned [redacted] and after deducting all my [redacted] heads managed to pay myself about £100 a [redacted]. Fortunately I am single. It would be impos[redacted] support a family on [redacted] I [redacted] and luckily I [redacted] the help of my mother, who [redacted] 75 but still drives over to the mill [redacted] all [redacted] of jobs, including cutting the grass."

If he was [redacted] with [redacted] more large [redacted] Moon [redacted] he could [redacted] turn[redacted] £40,000. He had the [redacted] do [redacted] recently, but [redacted] to turn it down. "Physically I just couldn't manage all [redacted] work," he [redacted]

*'I used to dash over to Soham if there [redacted] good wind blowing'*

[redacted] reluctantly concluded that the only way to expand his business – and to cope more easily with the physical challenge of handling 10 tons of machinery as a one-man operation – is to sell Downfield and buy a more efficient mill.

"Even when there is no wind and the sails are down it is hard work because I have a set of stones powered by a belt drive from an electric motor I installed in an adjoining building," Moon said.

"Working the mill this way is not as satisfying as when it is running on the sails, but the two systems often run in concert and the electric system helps to keep production going.

"I need to mill between 1½ and two tonnes a week to fulfil my obligations to my customers. It can be very hard if there is no wind. I often used to get up at unbelievable hours and dash over to Soham if there was a good wind blowing. But then I realised that this area has its own peculiar weather system, so I just come when it [redacted] me.

"[redacted] I can rely on sufficient wind to [redacted] by – but it [redacted] not always [redacted] the days when I want to [redacted] here milling!

"Downfield [redacted] a lovely old [redacted] mill, [redacted] when it [redacted] rebuilt in [redacted] by [redacted] local family they didn't use the latest internal design," [redacted] said.

"Ideally [redacted] want a storage floor at the top with the mill[redacted] on the floor [redacted] that, not on [redacted] first floor, [redacted] Downfield. The real object [redacted] to achieve an on-line flow system using gravity all the [redacted] at Soham a lot of the [redacted] in reverse. It keeps me fit, but I have to do [redacted] lot [redacted] charging around."

Moon has his [redacted] on another, technologically more sophisticated windmill [redacted] his home.

"If I were to sell Downfield I reckon I would get more [redacted] the land around it than for the mill itself," Moon said. "Two years after I bought the mill for £5,000, provided by my late father, I was able to buy the quarter-acre plot that goes with it. There is certainly room for a house here. All I need to do now is to find someone mad enough to buy the mill!

"If I am able to buy the other windmill I have in mind, I reckon I could get it going with a minimum of restoration. And because it is better laid out than Downfield I am sure it would be more profitable. The books would certainly benefit from my not having to spend so much time on the road and I would be able to reduce my overdraft. I reckon transport costs me £100 a week, so I would be able to make big savings.

"Nevertheless, I am not really in this business for the money. There must be thousands of easier ways of making a living!"

■ *Downfield Windmill, Fordham Road, Soham, Ely, Cambridgeshire CB7 5BG. 0353-720333.*

# What to ask your adviser

## Q&A

BRIEFCASE

*No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All enquiries will be answered by post as soon as possible.*

**What qualifications should a client look for when choosing an adviser?**

■ If a potential manager gives you satisfactory answers to these questions, the chances are you will be happy.

1. What security do I get for my money? Ensure that the manager is a well-established member of a regulatory body such Fimbra or Imro.

2. Is the service suitable for my individual needs? It is pointless paying for an advisory and investment service you do not want or use. If, on the other hand, you want a complete management package, then you should listen carefully to what the potential manager asks you. He can create a proper portfolio only through probing your personal aims and circumstances thoroughly.

3. What is the likely performance of my funds going to be? You should get at least an expected percentage of growth and level of income from an investment house. In addition, check how much of your portfolio is likely to go into the investment manager's own funds and what he might invest in specialised markets.

4. How much is the whole service going to cost? Methods of charging vary considerably, with everything from fixed management fees to percentage fees and even fees linked to performance. Be on the lookout for extras such as charges for tax computations, dealing costs and valuations.

6. What can you do that I cannot do myself by using a stockbroker? Ask about the quantity and quality of the potential manager's sources and information.

7. Will you run my funds on a discretionary or an advice-only basis.

8. If using a discretionary service, will you keep me informed fully through contract notes, valuations and regular personal contact.

9. Can I withdraw my funds if necessary? To be fair to both sides, you should judge a reputable manager on a trial period of at least 15 to 18 months. It is crucial, however, that you can withdraw your own money as and when you require.

10. What other services do you offer? The capacity to take over your tax affairs, and perhaps offer guidance on insurance, school fees, banking facilities and general estate planning, could be useful.

11. Can you give me advice on alternative forms of investment. It might be rewarding for you, if required, to receive objective, informed [redacted] about anything ranging from investment in forestry to enter[redacted].

The answers to all the above points [redacted] others, [redacted] appropriate, should be set out in a written agreement. [redacted] sure [redacted] personal [redacted] and circumstances. *(Answer by Murray Johnstone Personal Asset Management).*

## Loan stock and CGT

**I understand that the capital [redacted] on index-linked [redacted] trust loan stock is exempt from CGT. I have difficulty in appreciating why a financial instrument [redacted] behave like a share index and yet be treated differently for tax purposes when compared with [redacted]lanced equity portfolio (where CGT applies).**

**1. Is this because the capital uplift/fall is neither allowable/taxable in the hands of the trust for corporation tax? (If so, it appears to me that, in the long run, the ordinary shareholder will lose out as equity markets outperform fixed interest investment).**

**2. Does the interest received come with a 25 or 20 per cent tax credit?**

**3. Where is the price of the loan stock quoted in the FT?**

**4. Why don't emerging market trusts issue this type of stock?**

**5. Why is there so little of this type of stock around?**

**6. Why should a discount imply a greater risk? After all most investment trusts (and shares) trade without a discount and no one mentions risk (apart from the usual market risk) there.**

■ 1. We do not believe that investment trust loan stock is exempt from capital gains tax. If it was, there would certainly be a lot more trusts.

2. The interest received comes with a 20 per cent credit.

3. The price of the loan stock is not quoted in the FT. You will find it only in the stock Exchange official list.

4. Emerging market trusts do not issue this type of stock because it is very difficult to index emerging markets.

5. If these stocks are held to redemption, they are an effective method of indexing both capital and income stocks. They are an interesting investment from this point of view. But they are, in effect, a form of management gearing and only the most efficient managers (those who beat the index continually) can afford to take part. Otherwise, there would be a dilution of the ordinary shares.

6. We would have thought this type of investment carried less risk than ordinary investment trust shares.

One ought to mention, nevertheless, that there is a risk element because of their poor marketability. *(Answer by Murray Johnstone).*

# Shop until you drop

Continued from page I

vacant – and question whether its owners are anywhere near making a decent return on their real estate investment, particularly given the generous leases that had to be offered to [redacted] its four big anchor department [redacted] Macy's, Sears, Bloomingdale's and Nordstrom.

Wheeler will say only that rental rates have gone up since it became clear the mall had "critical mass", making them comparable to other super-regional shopping centres in the area. Yet, there are persistent reports in Minneapolis that some of the department stores have had disappointing sales.

This, however, is not the case at Nordstrom, which sells up-market clothes and is one of the fastest-growing retail groups in the US. Eric Nordstrom, who runs the outlet, says it has generated the largest first-year sales of any branch since the one in Chicago four years ago. He adds: "I think it surprised everyone in our company."

But will it last, once the initial novelty has worn off? To succeed, Wheeler says the mall needs to generate 70 per cent of its traffic from Minneapolis and the mainly rural 150-mile radius around the city. It has now reached that point after some initial hostility from local residents. "People are finding that you don't need to ride a roller-coaster to buy a pair of socks," Nordstrom notes.

The other 30 per cent of visitors – who account for half the [redacted] spent – [redacted] from more than 150 miles away and are striking evidence that the mall's publicity machine has [redacted] in making the centre [redacted] big tourist attraction in its [redacted] right. [redacted] very name, Mall of America, and its stars and stripes logo, play up the idea that this is a national asset.

Many tourists come from the surrounding mid-western and Rocky Mountain states, lured by one-day "shopper's special" air fares. Charter flights to the mall, which lies close to Minneapolis airport, have been organised from as far away as Britain and Japan. "People are vacationing here from Florida," says an incredulous Nordstrom. "I don't understand it." He adds, quickly: "But you don't have to understand it."

What makes this popularity particularly surprising is that very few of the stores are unique. Most are simply outlets of large US chains; identical shops can be found in hundreds of malls across the nation.

That, together with the mall's bland, characterless atmosphere, means some tourists will leave disappointed. At bottom, the centre is as soulless as . . . well, as a trip to a shopping mall.

For millions more, though, [redacted] sheer size and entertainments will be justification enough for [redacted] visit. After all, it is not every shopping [redacted] that can sell you a T-shirt emblazoned with the proud, guilt-free boast: "I mega-shopped the mega-mall."

FASHION

Me and My Wardrobe

# The lady loves to shock

*Jane Mulvagh asks Lady Powell about her choice of clothes and gets a surprising answer*

Forget propriety. Carla, Lady Powell, was wearing skin-tight, black, cashmere leggings and a smile [redacted] bright as a Cadillac chrome [redacted] the door, she [redacted] ebullient, recession-proof chutzpah.

[redacted] 19, Lady Powell, the 51-year-old Italian [redacted] of the erstwhile diplomat and Number 10 adviser, [redacted] spent the last 30 [redacted] escorting her [redacted] plenipotentiary through the corridors [redacted] power.

Ask her about her style and she [redacted] with winning directness. "Oh, [redacted] and tarty, like Crystal in 'Dynasty'."

What joy [redacted] bring [redacted] all crusty mandarins – [redacted] "old goats" [redacted] affectionately calls them – for she loves to shock in Atlantic-deep [redacted] letés, Kilimanjaro-high minis and [redacted] eternity. "I love [redacted] shoulders, [redacted] necks, tight [redacted] high heels."

[redacted] hosting a private dinner [redacted] visiting dignitaries [redacted] attending [redacted] Washing[redacted] banquet, [redacted] borders of [redacted] diplomatic [redacted]

Lady Powell is [redacted] high-heeled [redacted] "I'm tiny, a midget, so I [redacted] heels, [redacted] I feel, well..." [redacted] completes the picture with Monroe-like gestures. [redacted] heels are lined up like lethal [redacted] along [redacted] shelves, [redacted] bearing [redacted] a dozen pairs [redacted] 3in-high [redacted] a single walking [redacted] or plimsoll [redacted] a black, brown [redacted] navy court [redacted]

Instead... puce, [redacted] lacquer-red, lambent patents, glittering lurex [redacted] velvets. [redacted] there, on [redacted] top shelf, standing alone, [redacted] pride of her armoury, awaiting coquettish deployment, is another pair, 6in-heeled Vivienne [redacted] platforms.

Some of this is [redacted] bit decep[redacted] Paul Johnson, [redacted] and her daily walking companion, later tells me that she is a keen hill walker [redacted] rock climber and three very professional-looking pairs of clim[redacted] lurk somewhere in the [redacted]

Lady Powell is [redacted] the Wildean art of [redacted] flirt. "I can get away with it because of self-control," [redacted] begins [redacted] disarmingly. "I'm [redacted] earthy and I shock sometimes, [redacted] never [redacted] much. It's like drinking; you have to know [redacted] you can get [redacted] with and [redacted] to under[redacted] the [redacted] can."

Her style [redacted] carefully gauged to [redacted] her own ebullient personality with her husband's [redacted] outwardly [redacted] tere demeanour. She [redacted] that "by marrying me [redacted] thinks [redacted] this [redacted] thing that [redacted] can't control. The [redacted] life [redacted] so in control. You [redacted] he [redacted] from [redacted] military family – neat, tidy, organised – he [redacted] his [redacted] in [redacted] morning. He's totally amused by the way I dress."

State, and [redacted] private sector, [redacted] prevent them from dressing for dinner together [redacted] so Sir Charles never [redacted] his wife will turn up in next. She loves to sail close to the wind, just [redacted] her [redacted] face and [redacted] her first invita[redacted] formal dinner [redacted] 10 Downing [redacted]

"Charles [redacted] really scared [redacted] that first dinner, [redacted] I'd [redacted] by [redacted] (head [redacted] service) that I should [redacted] down. To Carla [redacted] that [redacted] challenge. "I had [redacted] stunning [redacted] you [redacted] imagine from Victor [redacted] White, [redacted] out [redacted] here, very Dynasty, and totally [redacted] in [redacted] I [redacted] up [redacted] Mrs Thatcher [redacted] standing behind her, all proper.

"Then I [redacted] boom! [redacted] was backless [redacted] There: I [redacted] my shoulder and, Oh! Charles's look [redacted] too wonderful! You [redacted] what men don't understand is that [redacted] Thatcher, being a [redacted] would have [redacted] all [redacted]

Mary Henderson, [redacted] Nicholas, guided [redacted] through their early [redacted] in the diplomatic [redacted] Superficially [redacted] two [redacted] poles apart; in fact they are close friends.

Lady Henderson [redacted] to [redacted] Lady [redacted] secret [redacted] "When [redacted] was [redacted] our [redacted] in Germany," Mary Henderson recalls, "whenever [redacted] had [redacted] difficult dinner [redacted] always [redacted] Carla. She'd [redacted] cross-legged [redacted] our important [redacted] he'd [redacted] completely [redacted] by [redacted] everything [redacted] well. [redacted] in [redacted] and is full of vitality. [redacted] being in the foreign [redacted] vice she's had to do it all on [redacted] very tight budget."

Lady Powell subscribes, out [redacted] necessity, to that long British tradition, which [redacted] Italian shudder, [redacted] mend". Ripping [redacted] Chantilly [redacted] from an [redacted] ball gown, [redacted] can [redacted] it into a mini pencil-skirt by adding elastic to the waist and then popping it over a shiny, tar-black, Norma Komali body.

When her husband saw it he exclaimed, "Oh God! How could you! It's transparent!" But now he loves it, she says.

Lady Powell heartily defends the diplomatic wives, so often ridiculed for their dowdy, [redacted] dresses. "They [redacted] for all [redacted] of occasions with very [redacted] you [redacted] hear [redacted] of [redacted] used."

"You know about [redacted] Embassy Dress, of course? The black one with spots on it – very simple."

This grand couture evening dress from Dior was made for Marina Berry in the 1960s. It was passed on to her sister-in-law, Harriet Berry, and eventually on to Carla. It is still in circulation. "We all had our best times in that dress." Lady Powell beams, "and whoever had it we'd all ring up and ask if we could borrow the dress for the night."

While working for Hambros,

'My baa-baa black sheep dress', in black wool and Astrakhan worn with platform shoes from Vivienne [redacted] Lydia van der [redacted]

Lady Powell in a black crochet dress bought for £50 from a Rome boutique. Her dress can teeter on the border of a diplomatic incident Lydia van der [redacted]

Lady [redacted] was expected [redacted] business-like. But, [redacted] of buying [redacted] suit [redacted] Jaeger, [redacted] stopped over in Hong Kong and bought metres of [redacted] sia, marrowfat green [redacted] midnight blue. In China she bought floral-patterned [redacted] lining it with [redacted] "So [redacted] more glamorous [redacted] winter coat, don't [redacted] agree?" Three suits, [redacted] shawls, all [redacted] the price of one Armani jacket.

[redacted] tricks [redacted] £50 crochet dresses from Roman boutiques, old ball dresses chopped into thigh-high minis and, her one extravagant buy, a minuscule petrol-blue and black lace dress from a Saint Laurent sale in the south of France.

And although her financial circumstances have changed, thanks to Sir Charles's post at Jardine Matheson, she still prefers to shop in boutiques and second-hand markets, although she admits to a weakness for Anouska Hempel and Dior.

One cannot see Lady Powell submitting to middle age or sobriety [redacted] husband's station. He may be proper in his grey flannels but she continues to teeter alongside him cajoling, teasing and flirting in Chantilly lace and impossible [redacted]

"We're complete opposites," she beams. Last year the couple were announced by a master [redacted] ceremonies [redacted] dinner. He pronounced his name poshly, [redacted] slippery pole; she pronounced it with [redacted] wide-mouthed "o". The MC pronounced [redacted] the room [redacted] with laughter.

HOW TO SPEND IT

Something of the bright new kitsch inspired by the turbulent life of the townships. From left to right, wire bicycle (£12.95), papier-mâché wastepaper bin (£32.50), brightly-coloured telephone wire walking stick (£25), gospel figurative group from Harare (£90), beaded enamel mug (£14) and at the back right, an Ndebele-inspired reconditioned radio (£160)

# Find an affordable slice of Africa on darkest Regent St

*Lucia van der Post visits an exhibition of artefacts which steers [redacted] careful line between art and tat*

M[redacted] of the [redacted] that [redacted] out of Africa fall into [redacted] of two categories – they [redacted] to [redacted] either old, [redacted] and expensive [redacted] mass-produced, tatty and inexpensive. Liberty [redacted] Regent [redacted] this week has opened [redacted] selling exhibition of Africana which miraculously manages [redacted] fall [redacted] the [redacted] – [redacted] nothing is antique [redacted] rare but neither could [redacted] it fairly [redacted] dismissed as tourist tat.

Having been [redacted] for some time (the stars of my collection probably being [redacted] little tortoise-shell and ostrich bead Bushman powder puff [redacted] then again, it could [redacted] the spear I bought straight from [redacted] Masai warrior striding across the Serengeti) I know just how out [redacted] truly old and beautiful pieces [redacted] art have become.

Picking out [redacted] one good [redacted] from [redacted] load [redacted] tat turned out cynically [redacted] market [redacted] always as easy as [redacted] ought to be. And [redacted] nobody minds [redacted] they like [redacted] they are buying and are being charged accordingly, none [redacted] us likes being taken for a ride.

Here in the Liberty exhibition the buyer, Ron Stewart, is completely open [redacted] is on offer. "Nothing here is truly old and rare but everything here [redacted] appealed [redacted] me and captures something [redacted] the deep hold that [redacted] on almost everybody who visits it."

H[redacted] has managed to bridge the old [redacted] new worlds [redacted] Rooted in [redacted] of [redacted] cloth from Zaire, made today but according to traditions [redacted] stretch [redacted] to long [redacted] the white man came. There [redacted] brass sculptures from Benin, again contempo[redacted] but part [redacted] long tradition [redacted] brass sculptures.

There are [redacted] aprons [redacted] fine beadwork on animal skins, nearly [redacted] the [redacted] I found in Johannesburg's city market some [redacted] ago. [redacted] were a couple [redacted] truly [redacted] leather Masai shopping [redacted] (I [redacted] "were" [redacted] I have just bought [redacted] and you had better hurry if you [redacted] one), [redacted] than anything [redacted] or Gucci, though [redacted] truthful the smell [redacted] pun[redacted]

From new Africa there are vital, colourful township art and artefacts. Anybody who has been to an African township will know of the freshness of their approach to even the most every-day things. In a poor, dusty village in remote Botswana, I came upon one of the most desirable toys I have ever seen – a push-along lorry fashioned with love and ingenuity out of old tins and wire by a father for his son.

That [redacted] impulse [redacted] seen in the wire bicycles on [redacted] huge [redacted] derful tin and [redacted] impression [redacted] a computer. [redacted] techniques used in [redacted] Imbenge baskets traditionally made by the Zulu night watchmen out of old telephone wire have [redacted] deployed to make [redacted] wildly [redacted] walking-stick. Old petrol-cans are saved, beaten and joined together [redacted] produce some [redacted] jolliest lunch[redacted]

[redacted] (proper working models) are [redacted] painted in [redacted] ver[redacted] Ndebele paintings. [redacted] tin [redacted] are [redacted] in colourful Zulu beadwork and papier-[redacted] wastepaper [redacted] covered in joyfully simple images painted in brilliant colours.

Then [redacted] are the pieces that [redacted] more [redacted] art – [redacted] comes [redacted] expensive [redacted] on [redacted] (£7,500), a [redacted] brilliantly painted sculpture of David and Goliath by [redacted] South African [redacted] Johannes Maswanzany. From [redacted] a huge and [redacted] metal [redacted] well as some [redacted] and charming figures made by a religious group in Harare.

For [redacted] wondering [redacted] incorporate some [redacted] the [redacted] into what [redacted] a chintzy British home, I [redacted] draped [redacted] the appliquéed raffia cloth [redacted] very [redacted] over [redacted] pole in our study and very [redacted] it looks, too, while [redacted] of patterned cloth can be framed and hung to [redacted] of a picture.

The exhibition [redacted] Liberty opened this [redacted] on until September [redacted]

White mask from Zaire (£300) representing old, traditional Africa

# In the Indian swing

If you feel that this summer you did not get it quite right in your garden, you might like to start planning now for next year's British heatwave.

My own tastes in garden furniture run to the plain and indubitably English. But there is [redacted] place for exotica and furniture does not come more exotic than Jeremy Lowe's Gujerati swing-seats.

Lowe originally came upon the seats when he was travelling in Rajasthan a few years ago and realised that these traditional indigenous designs were completely different from anything on the market in the UK. He decided to investigate the possibilities of importing them and, after experimenting with a few prototypes, has arranged for a small group of pieces to be made by local craftsmen in a small village in Gujerat.

Not the least of the pleasures of the pieces is the fact that they involve using long-established hand-crafting skills and that a whole previously [redacted] village [redacted] a [redacted] project [redacted]

Benchmark's hand-carved wooden seat, £245

There is [redacted] Maharaja and a Maharana's swing bed, an armchair, two-seater and three-seater benches, tables and a deckchair. Made from Burmese teak there are also canopies, bolsters, upholstered [redacted] in Indian [redacted]

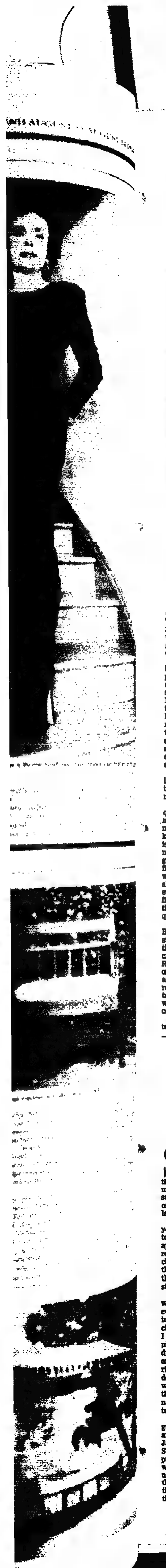
For [redacted] optimistic [redacted] languid days [redacted] summer, [redacted] may [redacted] the time [redacted] dream [redacted] lazy days in a Maharaja-style swing-bed. Jeremy Lowe's company [redacted] in his Oxfordshire workshops there [redacted] prototypes which can [redacted] seen [redacted] the [redacted] will be in [redacted] months.

The Maharana's swing bed is the most expensive of all the items, costing £1,795, while the Maharaja's for some reason is just £1,650. A swing chair is £1,595, an armchair £245, and a carved deckchair £95. [redacted] canopy with frame and poles is £300, bolsters £55, loose cushions £25 and armchair and seat cushions £45.

Benchmark has an illustrated leaflet which it will send to those who are interested. Write to Denman & Lowe, The Studio, The Old School, Wheatley, Oxford OX33 1UB. For appointments to view the [redacted] telephone [redacted]

*L v d P*

The Maharaja's swing-bed made by villagers in Gujerat



هكذا في الاصل



FOOD AND DRINK

Californian wine/ **Jancis Robinson**

# A louse in the garden of Eden

Until recently, the Napa Valley in northern California has seemed the wine region closest to heaven. On a previous visit there, I seriously thought the reason I was never troubled by a fly, wasp or mosquito was that insects did not dare interfere in this perfect little bucolic kingdom of mammon.

How wrong I was. Today in the valley, and in much of Sonoma, its long-overshadowed neighbour, the wine industry's financial viability – already coming under severe scrutiny – has been gravely prejudiced by the activities of two tiny insects.

The phylloxera louse, which threatened to destroy Europe's vineyards 100 years ago, has been steadily munching its way through thousands of acres of northern California vineyard, while leaf hoppers, or sharpshooters, have been busy transmitting the [redacted] Pierce's disease, for which there [redacted] no known cure.

The phylloxera-struck vineyards are being painstakingly ripped out, no matter how young – and the usual productive life cycle of a vineyard is at least 30 years – so that this beautiful wine valley, once a verdant sprawl in high summer, is today a patchwork of plots which tell their own story.

Some owners just cannot summon up the cash or the will to renovate affected vineyards, and their decrepit vines stare balefully at visitor and resident alike, a constant reminder of the economic pressures which have squeezed so much of the glamour out of the northern California wine scene in the past few years.

Many have taken a deep breath and are replanting millions of vines each year so that the symbol of the era has come to be not vines but the open-bottomed milk cartons which are put around each tender new plant to protect it from frosts and predators. (There is surely a market opportunity there for a more aesthetically acceptable substitute.) And then there are those few growers lucky or clever enough to have avoided the rootstock that has succumbed to phylloxera.

But Californians are nothing if not optimistic. The official line is that this vineyard devastation is a blessing in disguise. The enforced replanting, they point out, is allowing them to improve, much earlier than anticipated, their vineyard and vine design, and to choose more suitable grape varieties for each site. Such spirit.

So what are they choosing to plant? Rich Kunde is California's most influential vine nurseryman and, luckily for the rest of us, a keen record keeper of the vines he grafts, three years ahead of their [redacted] able to produce wine.

Well Chardonnay, the wine worl[redacted] darling, would be expected to be increasing its domination of California's vignoble, but Chardonnay grape prices have been falling and, last year, Chardonnay cuttings were only just more popular than Kunde's most sought-after red wine variety.

For some years now this has been not the expected Cabernet Sauvignon but the softer Merlot – Cabernet without the pain.

*The re-planting of damaged vineyards reflects a trend for all things Italian*

Cabernet Sauvignon comes a poor third and there is clear evidence of a new-found pride in California's "own" Zinfandel, both in prices paid and area planted. Red wine varieties have at long last become more popular than white, largely thanks to their association with lower risks of heart disease. The tonic factor.

But the really hot item is a white variety, Viognier. Although fewer than 200 acres were in production in time for the 1993 vintage, Kunde supplied almost as much of this obscure north Rhône white grape variety this year as he did of either Sauvignon Blanc or Pinot Noir, two of the state's proven vine variety classics.

California Viogniers tend to have more substance than their counterparts in the south of France, which has also fallen victim to Viognier mania. The most notable example of this weight is Calera's 1993, made from vines planted in the relatively prehistoric early 1980s and notching up a hefty 14.5 per cent alcohol.

Kunde's own-label Viognier is, hardly surprisin[redacted], considerably lighter, while Joseph Phelps's would probably be the ideal choice for those seeking a Condrieu substitute.

Red Rhône [redacted] have been equally popular. You can still charge a $10 premium on any bottle carrying the magic words Syrah or Mourvèdre, and new Rhônish bottlings are sprouting up all over the state, helped by California's considerable acreage of Grenache, and the discovery that the ancient vines for long despised as Mataro are in fact none other than Bandol's own Mourvèdre.

Jade Mountain's examples are impressively exuberant, and Bonny Doon's (also imported into the UK by Morris & Verdin of London SW1) would [redacted] worth buying for the [redacted] alone.

But it looks [redacted] though Californ[redacted] for the next three decades will reflect not just the current vogue for Rhône varieties, but also the coming trend in favour of all things Italian. Sangiovese cuttings were in huge demand this spring, and California's first attempt at the variety disappeared off the shelves as soon it arrived.

The best example I have tasted is Villa Ragazzi, one of the many annoying California wines made in tiny, almost uncommercial quantities – in this case by Mondavi's winemaker Charles Thomas, from fruit grown by the Rodeno family, associated with St Supéry winery and a Napa law firm.

And the influential Robert Mondavi is said to be getting in on the Italian act (as well it might, considering its origins), with the trend-setting release next year of varietal whites labelled Tocai Friulano and Malvasia Bianca.

Elsewhere, Ivan Tamas has even managed to make a creditable, full-flavoured varietal Trebbiano, a variety that is regarded as a ubiquitous embarrassment in central Italy.

It seems as though California's big re-plant may be being dictated less by detailed site analysis and more, as usual, by the great god fashion.

# Let's have fare play

*As the English soccer season opens, Peter [redacted] looks at how fans are fed*

At the top of the away terracing at Brisbane Road, home of Leyton Orient, [redacted] English second division [redacted] club, squats a hamburger shack. The terracing is exposed to the elements. When the wind blows it wafts the foul smell of greaseburgers and cooked canned onions down over the fans.

When the rain falls it forms brown puddles amid the discarded plastics spoons, sugar, milk and tea spilt from the table next to the stand. The shack is an institution. Its occupant is known with affection as the "fat frier". Nowhere in England are travelling fans, usually regarded as unwelcome guests, treated so well. Inexplicably, fans seem to like the fare and, unusually, they can queue for, buy and eat their burgers without missing any action.

Clubs know that catering can be lucrative. They offer spectators in the executive boxes smart pre-match meat-and-two-veg meals.

They have restaurants and banqueting halls for pre and post-match meals. But the average fan wants no more than a quick snack before kick-off and at half-time. The result is an uneasy compromise: a limited menu of overpriced and sweaty burgers, sausage rolls, pies, Kit Kats, fizzy drinks, instant tea, Bovril and, when permitted, beer, with just about enough vending staff to get everyone back into their seats by five minutes into the second half if they spend the whole interval queuing.

Compare and contrast with the Ballpark at Arlington, a baseball stadium opened this year, home of the Texas Rangers. A baseball crowd looks like an ants' nest. Regardless of the state of play, lines of people scurry up and own the aisles, ascending empty-handed, returning with laden cardboard trays, dodging the mobile vendors who sell drinks, ice-creams, popcorn, hot dogs.

At Arlington every step has been taken to make sure that the fans spend the entire three hours or more that a game lasts eating and drinking themselves into a coma. There is an upmarket restaurant, the Diamond Club, for holders of season tickets. This offers "white tablecloth dining" in tiered seating which allows you to scoff and watch.

There is a branch of TGI Friday's which also offers a view of the game. In "preferred seating", ie ordinary seats that cost more, there is waiter service. A friendly young man regularly comes round and pesters spectators.

Do they want even more nachos, burritos, hot dogs, beers, even Caesar salad? He taps the order and seat number into a hand-held computer, transmits it and seconds later another friendly young man appears with the food and the bill.

*'In Dallas Cotton Bowl there [redacted] sausages on sticks and turkey legs which looked as if they had [redacted] off ostriches'*

Along the concourses behind and under the stands, the hot humid Texas air is filled with the smell of burning meat. There are 102 concession stands, all operated by Sportservice Corp of Buffalo New York. Some have droll baseball names: Short-Stop, H R (home run) Bakery, R B Ice Cream (a pun on RBI for run batted in) and Bambino's (which serves pizza and is named after Babe Ruth). There are yoghurt stands, barbecue sandwich stands, Tex-Mex stands.

On the upper level there are four "grilles", air-conditioned fast-food havens that sell the full range of hot dogs and drinks, and hamburgers and "carved sandwiches". You can cool off, eat, and still watch the game through the windows.

It is not gourmet food but it is tasty, varied and attractively presented. The prices are not exorbitant and the queues are rarely long.

But there have been unexpected drawbacks. The [redacted] from [redacted] eatathon is rinsed into the stadium's storm drains. There it has rotted in the humid Texas heat. The stench is worst near the best seats. The club has taped over drains and is planning to introduce machinery to blow the gases from the drains.

The quality of food at Arlington is not unique. I visited the Olympic Stadium in Montreal, a modern, covered arena where the Expos baseball team plays. There are pizzas, burgers, hot dogs, croissants, salads and ice creams there, as well as a Kentucky Fried Chicken franchise.

The food court offers the atmosphere and variety and quality of catering of British Rail's tarted-up London termini. There are also Montreal smoked meat sandwiches (with a strong chemical taste of flavourings and preservatives) and even *poutine*, a Quebecois dish of chips, gravy and cheese curd; traditional but hardly a delicacy. This is children's food and at the Olympic Stadium half the crowd seemed to be made up of delirious children in a screaming sugar frenzy.

A few baseball stadiums, notably those in New York, share the British soccer approach. Yankee Stadium has a "food court" somewhere in the bowels of the stand but it is hard to reach and queues are long. I went on opening day in April. The fans in the cheap seats were happy with a steady diet of beer, broken occasionally by a hot dog. The result, after three hours in the hot sun, was more fist-fights than I saw in the whole of last season at English soccer grounds.

For soccer fans who travelled to the World Cup dreaming of better snacks in the land of fast food, the experience was more Orient than Arlington. This was in part because the matches have, for the most part, been played in old, or very [redacted] American football stadiums.

At Giants Stadium in New Jersey, the most solid foods on offer were hot dogs and dehydrated potato knishes sitting foil-wrapped in heated display cabinets. The soft drinks were flavoured with chlorine by the ice cubes. When Ireland played Italy there, in 90°F, the bars ran out of Evian water, at $1.70 for a tiny bottle. The beer supplies held up – a reflection of the appetites of the American Football fans who normally use the stadium.

Strangely, given soccer fans' immobility, there were few vendors walking the aisles. In blazing Dallas they offered drinks. Small bottles of water "ice cold" at kick off, merely "cold" by half time, cost $3.

There are pleasant surprises. The outdoor walkway around the Rose Bowl in Pasadena is filled with food stands: there are churros (fried, sugar-dipped ropes of dough), pizza and lots of ice creams and ice lollies as well as the usual hot dogs. But at most of the other grounds, at least those not surrounded by huge car parks, the best food is outside the stadium.

The ageing Dallas Cotton Bowl, just a few miles from Arlington, sits in Fair Park, built to host fairs and exhibitions. There, the restaurants were open and vendors had set up stalls. There were sausages on sticks and turke[redacted] which looked as if they [redacted] off ostriches and which British police would view as a potential weapon.

On the shady approach to [redacted]ford Stadium I had a burrito as big as a soccer [redacted] from a friendly family stand serving Mexican food. It was bland, as Americanised Mexican food so often is and so stuffed with beans in a liquid sauce that it was impossible to eat standing up.

But compared to anything on offer in Leyton on a Saturday afternoon, it seemed wholesome, exotic, tasty and generous.

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Eating in Singapore

# Rude food served here

Singapore is a peculiar place. It is in Asia, but it is not very Asian. If it were not for the hawkers' stalls, and the occasional whiff of durians, you might believe you were in some squeaky clean version of Chicago or Frankfurt-am-Main, only populated almost entirely by Chinamen.

You get a better perspective if you cross to the seedy, scruffy little town of Johore Bahru: this is Singapore without the polish. Singaporeans go there in droves to buy cheap food and to chew gum. When they return on the bus and cross the causeway to Singapore, they stick the gum to the backs of seats.

Singaporeans are rude. They were rude to me in the airport, even before I had passed through immigration and they were especially rude at the Boulevard Hotel. I thought that they would all be pig-rude until I met a jolly taxi driver who was keen to fill me in on Singapore's latest murder stories and who took me off to a more down-market hotel where the staff were a little better behaved than they were at the Boulevard. The next night I moved into the Oriental and all was sweetness and light.

I understand that businessmen go to Singapore, but I do not think anyone goes there for pleasure. Japanese and Australians go to Singapore to shop, even though the prices are not as keen as they once were. Cultural tourism is a bit of a non-starter as there is precious little of old Singapore left and what there is has been "Disneyfied" in a thoroughly repulsive manner.

But, and here is a big but, you may eat well in Singapore.

The best way to eat is to go native. All over the island there are hawkers' centres where the formerly mobile kitchens have been brought together. Various Chinese cooking styles are in evidence: Malayan food; Indonesian food; Indian food; and the Peranakan food of the native straights Chinese.

You can have great fun at the hawkers' centres. Only you should avoid the sanitised, perhaps "pasteurised" is a better description, Telok Ayer Market with its fried chicken and go instead to the big shed on the other side of the main road which has yet to be faked. Similarly, you can do better than the rather twee Satay Club on Connaught Drive.

The true gourmand revels in a Singaporean hawkers' centre. Duck and beef porridge, Indonesian rice and noodles, mutton satay, lots of exciting innards such as pigs' organ soup, pigs' ears, pigs' tails and bowls of beef broth swimming with tripe. You wander around the stalls picking what pleases you and then return to your seat. Within seconds the plates are slammed down on the table and a grasping paw is stretched out to the cry "two dollars" (for that is all it costs). If you are quick you can also catch the arm of the person carrying bottles of the excellent local Tiger beer. Then your meal is complete.

It is far from being a relaxing way to eat. After a week of it you are ready to concede that the French three-hour dinner is the greatest contribution to civilisation

Office workers at lunch by the Singapore river — Glyn Genin

the world has known. On the other hand, street food is nourishing, and cheap.

There are also restaurants [redacted] you may eat in this basic way. Swee Kee, in Middle Road, is almost next door to the Raffles Hotel. There, for about $3, you are given – thrown is more like it – a big portion of boiled chicken, chicken broth and rice. A dinner of this sort lasts at most 15 minutes.

In little India you get chiefly south Indian food as well as some local specialities such as fish head curry – the eyes are said to be the best bit. I prefer the cheeks. Vegetarian food can be good here. The paper *masala* [redacted] onion *ottapams idlis* and *vadas* were every bit as good as the ones I had eaten in Calcutta.

Of course not everyone gets the chance to go native. If you are out on business, you will probably eat in a posh restaurant or a hotel. The Raffles Hotel has been reset in plastic and cloned to twice or three times its original size. True to form, a shopping centre has been installed in the wings.

You should have a Singapore gin sling there, because that is where it was created.

You may eat well at the Raffles too, but the best meal I ate in a restaurant was in Violet Oon's Kitchen. This is Peranakan or "Nonya" cooking (a Nonya is a native Chinese woman with an infusion of Malay blood). The food adapts Chinese and Indian ideas and welds them to the local Malay diet. This is as near as you will get to the real Singapore and Oon is as hospitable as one could wish.

The rest of them should be packed off to charm school.

■ *Information: The Oriental (tel: [redacted] Fax: 339-9537); The Raffles [redacted] (tel: 337-1886); [redacted] Oon's [redacted] (tel: 226-3225. Fax: 323-5009). Oriental (Britain) (tel: 071-537 2988).*

***Giles MacDonogh***

Barbecuing

# Herbs are the answer

***Nicholas Lander** with [redacted] tips for outdoor eating*

During my first year as [redacted] restaurateur, I spent very little [redacted] in the kitchen. This was partly because I was aware of the limitations of my culinary knowledge and partly because there were more pressing problems – mainly financial – to occupy me.

Business was improving by the second year, however, and having failed miserably as a greeter, seater and waiter, I began to spend more time watching the chefs, especially Martin Lam, now chef/proprietor at Ransome's Dock in south-west London.

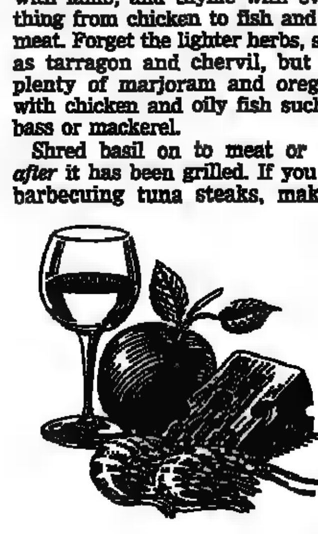
Lam was so confident of the culinary gulf that separated us that he knew I would not interfere with his work and he was glad of an extra pair of watchful eyes as his brigade grappled with the problems of feeding 200 in 90 minutes from a basement kitchen.

Later, to make myself useful during the lunch service, I worked as a grill chef, an area of the kitchen that does not require years of training in making sauces or stocks. There, I had a certain advantage because the cuts of meat and fillets of fish were prepared professionally for me. It became obvious quickly, though, that merely grilling meat or fish, however good the quality, will give neither the chef nor the customer much satisfaction.

Lam believes passionately in the flavour-enhancing qualities of herbs. A good handful of any fresh herb, mixed liberally with olive oil into a marinade, can transform the main ingredient of a dish and convince the customer that this is something for which he must come back.

Classic examples are fresh [redacted] with [redacted] liver, rosemary with lamb, and thyme with everything from chicken to fish and red meat. Forget the lighter herbs, such as tarragon and chervil, but use plenty of marjoram and oregano with chicken and oily fish such as bass or mackerel.

Shred basil on to meat or fish *after* it has been grilled. If you are barbecuing tuna steaks, make a



basil butter including salt and pepper. Throw dried fennel stalks on to the fish on the barbecue at the last minute.

With duck, it is better to use spices rather than herbs to bring out the flavours – rub on fivespice then marinade it in vegetable or sesame oil before barbecuing.

It is through reading M.F.K. Fisher, the American food writer, that I discovered a marinade for beef that is as successful for roasts as for grills. Marinate the beef in olive oil and rich soy sauce for 48 hours. Half an hour before cooking wash off the marinade, pat dry, and let the meat rest before it is cooked.

In Australia, I learnt that with even the very freshest fish and seafood – possibly [redacted] it [redacted] so fresh – acidity is the key to the finest [redacted]vour.

Marinate squid, crayfish, prawns or octopus in plenty of lemon or lime juice, crushed garlic, olive oil, salt and pepper and serve with a [redacted] relish. Ensure that [redacted] drinks you serve [redacted] accompany the meal [redacted] chilled.

In south-west France, I discovered what is, I believe, the finest medium for the barbecue. These are *souches* – ancient, gnarled vine roots available when vineyards are being replanted. They make wonderful, slow-burning firewood in winter and impart an extra layer of flavour to your barbecued food in summer.

For the barbecue chef, the cooking process, including preparation and lighting, can be quite long. I have found the following recipe for potatoes, roasted with olive oil, rosemary and garlic salt, useful as it can be cooked in the oven while you are at the grill. It comes from *The Classic Cuisine of the Italian Jews* by Edda Servi Machlin (Giro Press New York) and goes wonderfully with grilled chicken, steak or fish.

**OVEN-COOKED POTATOES**

*serves 6-8*

Recipe: 8 large baking potatoes; 2 teaspoons fresh rosemary; 2 teaspoons garlic salt; 4 tablespoons olive oil; black pepper.

Method: Peel the potatoes and cut lengthways into six pieces each. Place in a bowl and mix with rosemary leaves, garlic salt, oil and half a teaspoon black pepper, ensuring the potatoes are coated evenly.

Place in the oven at 450°F for 25 minutes and then lower the temperature to 350°F for 45-60 minutes.

TRAVEL

# Cyprus: empires and civilisations slept here

***JDF Jones** rediscovers the charms of the island's Greek south and Turkish north but is left feeling a little sad and worried*

I have a problem with Cyprus. I used to [illegible] there a lot, before the Turkish invasion and after the Eoka busi[illegible] when it [illegible] a lovely place. We would arrive from the dangerous complexities of Beirut or Jerusalem or Damascus – Cyprus used to be the transit [illegible] for journalists covering the Middle East – and grab a couple of days on [illegible] based at the late-lamented Ledra Palace Hotel in Nicosia and usually wandering down to Paphos or Kyrenia for a night. It was a modest, undemanding, friendly, beautiful, provincial island.

Then it was divided by the 1974 invasion.

Today, there is something worrying about the place. A bit sad, perhaps. Certainly there is something wrong in the north. As for the south, it has changed almost beyond recognition. I [illegible] both the Greek south and [illegible] Turkish-held north (on separate trips) and only slowly [illegible] island's [illegible].

[illegible] not understand this. The British [illegible] particularly keen on Cyprus [illegible] they have [illegible] it: apparently no other holiday destination has so high a proportion [illegible] "return" bookings.

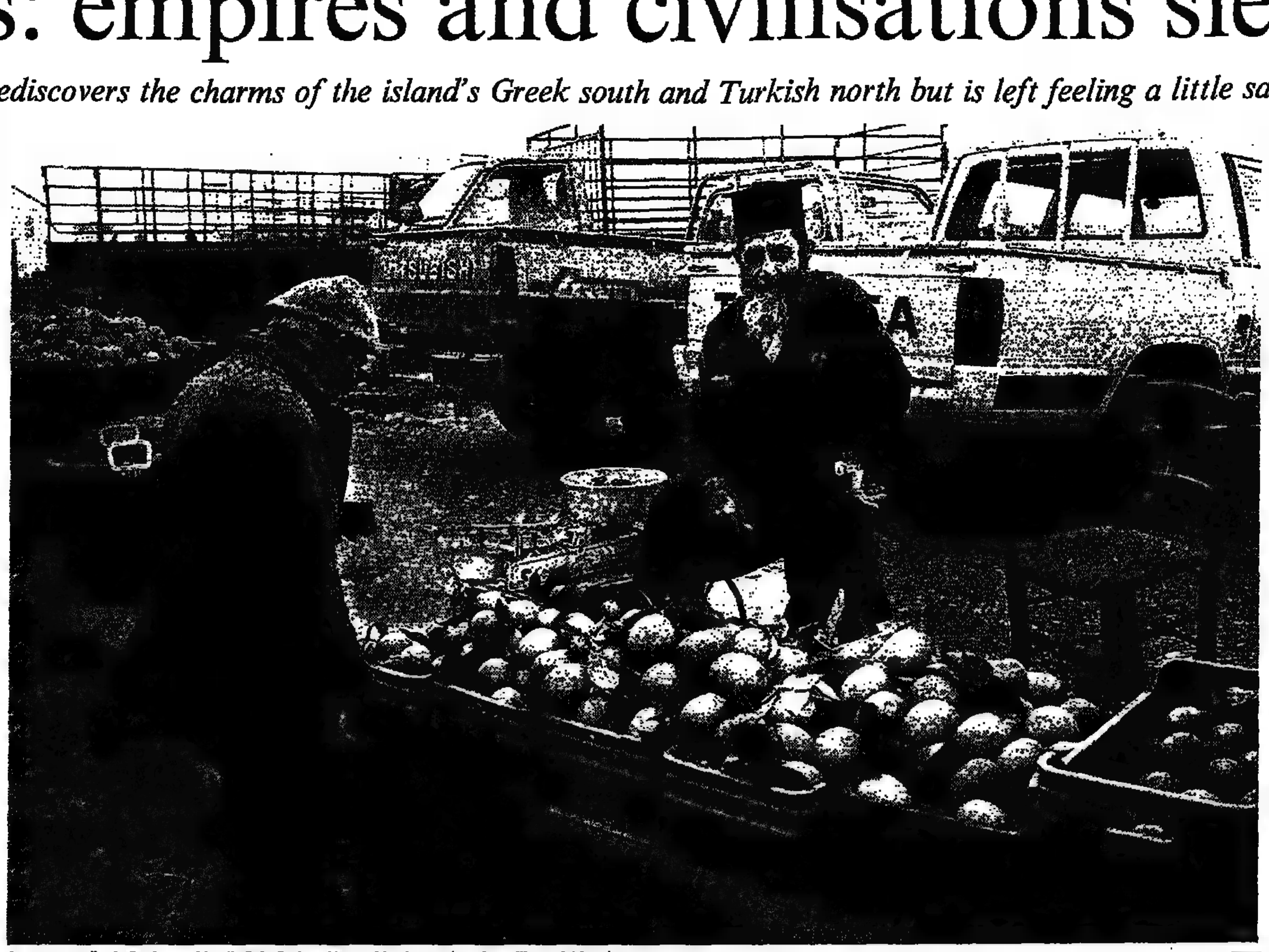
This [illegible] not surprising when [illegible] consider [illegible] is the Mediterranean island best suited to the less bold, less confident holidaymaker – [illegible] friendly and speaks English, [illegible] drive on the left, the food [illegible] recognisable [illegible] unpretentious, culture [illegible] not overwhelming, [illegible] are splendid, [illegible] landscape wonderful, the mountains purple on the horizon, and there are frequent flights from UK airports.

For a different sort of visitor, Cyprus has always stood at a crossroads between Europe, the Levant and Africa. Empires and civilisations have passed through Cyprus in unending procession, from Minoans and Mycenaeans to Crusaders and Lusignans, Venetians and Turks, and – yes – the British.

But at a more individual level it has also been a stopping-off point, a relaxing place to [illegible] a journey [illegible] the rigours of Arabia or Egypt.

[illegible] a [illegible] in Cyprus on his way to explore the Nile, and found [illegible] a book [illegible] island; Lawrence Durrell's memoir of the 1950s shows a stream of visitors, such as Freya Stark [illegible] Harry Luke and Rose Macaulay, all of them on their way to, or from, somewhere more serious. Everyone loved Cyprus for its quiet and undemanding obscurity.

Durrell's friends would stay with him in Bellapais and drive up [illegible] the Cyprus Museum in Nicosia. [illegible] can't do that any more. You have to choose whether to take your holiday in the south or in the north. They are very different places these days, although you will [illegible] looking at those same mountains on the horizon.



An orange-seller in Paphos: a friendly little fishing village which is now bursting with tourist hotels

□ □ □

To start with, the Turkish Republic of [illegible] Cyprus [illegible] recognised only by [illegible] Turkish government in Ankara. The single inconvenience this entails is that [illegible] not fly direct: you must break your journey on the mainland, if only for a nominal 45 minutes before taking off again (in the same aircraft) for Ercan. The larger snag is that the north is run-down, poor and much less sophisticated than the south, which lies across the UN-supervised front-line. Many roads are pot-holed, the villages [illegible] unkempt, [illegible] are (literally) dusty, [illegible] churches [illegible] desecrated.

The other side of the coin is that life is remarkably cheap, you can always find a room or a table, the food is much more interesting than [illegible] the south, [illegible] are extremely pleased [illegible] see you.

Slowly, the expatriates have been returning [illegible] villas in [illegible] sun. [illegible] there [illegible] very [illegible] are arriving in [illegible] numbers [illegible] economy needs, despite the fact that north Cyprus surely presents one of the few and best remaining chances [illegible] experience the unspoiled [illegible].

For example, immediately west of Kyrenia (sorry, Girne, as it is now called) there is a 10-mile stretch of coast which, anywhere else in the Med, would by now be a corniche lined solid with hotels, restaurants and swimming beaches.

The narrow coastal plain rises through orchards and olive groves and picture-book villages to the dramatic two-dimensional cut-out silhouette of the Kyrenia range. The sea is very good indeed; Turkey lies in the distance.

Yet today, starting from Asil Nadir's glossy Jasmine Court complex on the outskirts of Kyrenia, all you will find is a stutter of small groups of hotels and apartment houses, often half-finished in the Middle East [illegible] of reinforced [illegible]. Here [illegible] there you come to a "casino", or a lonely bar like "Rita on the Rocks", or a small German restaurant set in a garden of flowers.

Across on the north-east coast, it is a similar story. Famagusta and its tourist strip are still no-man's land. The Old Town of Famagusta is accessible but stagnant, dead, behind its medieval walls.

Ten miles to the north is the island's most important – and largely undug – archaeological site of ancient Salamis, scarcely disturbed by visitors. It is extremely large and stands on a beautiful but surprisingly empty bay which features half-a-dozen high-rise tourist hotels scattered a few miles apart along a good road and incongruously set in a [illegible] of flat, drained marsh: rather spooky.

I stayed in the best-remembered of these hotels, the upmarket Park, and had to move out because the dust seemed to date from 1974. To the north-east, the Kyrenia range peters out into the Karpas "panhandle", where few people bother to venture any more and where the UN troops supply a handful of stranded Greek villages.

[illegible] mile inland from [illegible] is a rare curiosity, [illegible] the [illegible] unvandalised churches – the Monastery of the Apostle Barnabas, now restored and turned into an unimportant icon museum but with attrac[illegible] which [illegible] become, [illegible] to sympathetic conversion, [illegible] best archaeological museum in [illegible] north.

[illegible] has [illegible] good-quality pre-classical [illegible] Mycenaean, etc, but [illegible] stars of the show are a batch of Greek sculptures including Demeter with a poppy, a sphinx, and a superb double-lion. At the bottom of the garden is the alleged catacomb of St Barnabas himself, erstwhile companion of St Paul. The whole operation is presided over by a carob tree [illegible] friendly Turkish custodians. [illegible] so often in the Mediterranean, one suspects [illegible] site pre-dates [illegible] Christianity and Islam.

The [illegible] beautiful [illegible] landscape is cast by the visitor's suspicion that he is enjoying – or perhaps living in – [illegible] property: [illegible] so much as the actual house or plot.

The subject of land ownership since 1974 is immensely complicated, and not to be discussed here. But walk through Bellapais, for instance – the most thriving of the tourist venues of the north, the hillside village immortalised by Lawrence Durrell in *Bitter Lemons* – and you find yourself wondering who owns, or owned, [illegible].

*Slowly, the expatriates have been returning to their villas in the sun*

As the years go by and the reunification of the island refuses to grow closer, these matters will perhaps become *faits accomplis*. For the record, Bellapais is still beautiful, the abbey unchanged save for an in-house restaurant, the Tree of Idleness there still (or perhaps it is a descendant), and directly at the foot of the abbey cliff there is a new-ish hotel set in [illegible] gardens.

To the sentimental and nostalgic visitor, Kyrenia looks just the same. It was always a lovely, [illegible] place, [illegible] harbour is as photogenic and pretty as ever, lined entirely with fish restaurants and open-air tables and pleasure craft, the coloured lights at sunset falling down into the bay like Christmas decorations. The castle still stands at one end, the Dome Hotel at the other.

The Dome is one of the famous hotels of the Levant: it pushes its luck for four stars – it is pretty tatty by the standards of the 1990s – but it has character and remains the focal point of the little town, standing there on the edge of the bay, extending these days into a sea-water swimming pool built out into the rocks. A good spot for a brandy sour, that national drink of Cyprus north as well as south.

□ □ □

Once upon a time we used to drive back – south – up the hill, past the turn-off to St Hilarion Castle, through the bends where the UN ran convoys, up and over the top and, suddenly, we would be looking down on the sun-parched plain and the roofs of Nicosia in the distance. These days Nicosia needs a separate trip, another flight.

I always think that Cyprus is *culturally* a part of Greece rather in the way that Sicily is *culturally* a part of Italy: the two islands are different from the mainland nation but are a part of the Greek-Italian experience. South of the UN line, you immediately realise you have returned to Byzantium, however cosmopolitan and English-speaking the place has become.

The south has none of the emptiness, the sense of undusted rooms, of the north. On the contrary. Paphos, which used to be a friendly little fishing village with a lovely archaeological site, is stacked and bursting with a hundred tourist hotels; Nicosia for me has lost much of its special character; the south coast, where Aphrodite was born out of the waves – and if you visit her flower-like rock and are in the right frame of mind, you can believe it – is lined with "Real Estate For Sale" signs. You will find "Aphrodite's Car Hire" and "Aphrodite's Snacks" and "Aphrodite's Gymnasium" and so on, just as in Crete the name of Minos favours every take-[illegible] shack.

[illegible] things have not changed. This is still a corner of a foreign field for Britain's ministry of defence, notwithstanding the presence in Nicosia of a "Museum for the National Struggle": the Akrotiri sovereign base still boasts green-grass playing fields, RAF radio [illegible] signposts to [illegible] courts and regimental chapels and the "Devonshire" [illegible] "Kensington" and "Londonderry" lines.

Much more interesting and important, the island still has its orange trees and vineyards, its broom and anemones and wild irises. The Temple of Apollo, not far from Paphos, is still one of the Mediterra[illegible] most [illegible] sites, looking out over the sea, and now it has been particularly well laid out in extensive gardens, thanks to the Leventis Foundation.

The mosaics at Paphos are unspoiled and special, as are the catacombs outside the town, and the Cypriots are friendlier than ever, and all speak English. (Another distinction from the mainland is that Cyprus does not go in for retsina.) And the big museum in Nicosia is still one of the highlights, and surprises, of the Mediterranean.

Best of all, the Troodos mountains are still wonderful, all the [illegible] so [illegible] they offer escape from the concrete coast. I suppose it was the mountains that dissuaded me from an old hand's crotchety nostalgia. The Ledra Palace may have gone, the UN may have settled in for ever, the divided families will be for ever divided, their homes are not going to be recovered, on either side, but Cyprus is still beautiful and the environmentalists are fighting back against the developers and despoilers.

My single recommendation is to take a Land Rover trip up into the mountains and your perspective on Cyprus will be quickly corrected. Then take the same Land Rover out to the Akamas peninsula in the far west, and join the debate about whether it should be "developed" like the rest of the south.

■ *Any travel agent can advise on a host of packages and flights to the south. Holidays in the north can be extremely cheap and are best arranged through agents who specialise in the area, such as Metak Travel (70 Welbeck Street, London W1M 7HA; 071-224 4303) or any of the large number of Turkish operations in London's Stoke Newington, best visited in person if you live in London.*

*The season is very long – mid-March into November – but it can be extremely hot in high summer.*

The Rough Guide *for Cyprus is probably the most useful and comprehensive guide-book, covering both parts of the island.*

# A welcome for golfers

It [illegible] nice [illegible] report [illegible] Ernie Els, South Africa's [illegible] golfing hero, [illegible] golf at [illegible] course such as Durban Country Club or Royal Johannesburg.

Alas, the truth is more mun[illegible] Els – tall, blond [illegible] languid – learnt his [illegible] Kempton Park, the unprepossessing home to Jan Smuts airport and the World Trade Centre, the site of South Africa's historic constitutional negotiations.

It [illegible] a [illegible] all round that [illegible] is now both possible and legiti[illegible] to worry [illegible] Ernie [illegible] fortunes than [illegible] of [illegible] talks.

It can only [illegible] a [illegible] time before golfers [illegible] visiting [illegible] country in [illegible] numbers. The climate is [illegible] for playing [illegible] and there [illegible] many fine courses.

Equally important, there is an ever-growing array of independent country [illegible] offering high-quality [illegible].

[illegible] recent trip [illegible] some of South Africa's finer coastal golf courses. First stop was Selborne, a tight setting in the rolling Natal sugarlands, 40 minutes south [illegible] Durban.

The course rewards cunning rather than brawn, and the wayward golfer will soon [illegible] by bush [illegible] water, which [illegible] 15 [illegible] the [illegible] holes. Overlooking [illegible] ocean, [illegible] Country Lodge, the Tudor-style [illegible] house [illegible] to [illegible] lodge, provides a [illegible] and friendly [illegible].

Resident professional is Trevor Wilkes, veteran of the professional circuit, repository of much golfing wisdom, and one-time runner-up to Gary Player in the South African Open.

Next stop was Fancourt, a grander establishment in George, a beautiful, mountainous part of the southern Cape. It [illegible] the [illegible] South African lay-out, most reminiscent [illegible] US [illegible] perfectly manicured, with greens [illegible] and true. [illegible] practice facilities [illegible] probably [illegible] equal in South Africa. The course is a regular tournament venue.

The hotel facilities [illegible] run [illegible] five-star [illegible] by Orient-Express Hotels, which manages [illegible] of the world's [illegible] properties, including the Mount Nelson in Cape Town, rated [illegible] Africa's finest.

From George, I travelled to Cape Town and stayed in the charming Constantia Uitsig guest house [illegible] a wine-farm overlooking False Bay. Guests stay in small, converted Cape Dutch [illegible] and there [illegible] popular [illegible] on [illegible].

There [illegible] at [illegible] half-a-dozen good courses within [illegible] reach. The two I played were Clovelly and Milnerton. Clovelly [illegible] a tight, undulating course, slightly inland but still susceptible to the wind like all Cape [illegible] Milnerton [illegible] in a more challenging, links-style setting, situated on the [illegible] Bay.

M[illegible] final port of call was the Grand Roche hotel in Paarl, an ultra-luxurious establishment in [illegible] of the winelands. The hotel [illegible] home to Bosmans restaurant – [illegible] by [illegible] to be South [illegible] finest. The focus of [illegible] development is a beautiful Cape Dutch building overlooking Paarl.

Grand Roche served [illegible] base for playing two nearby parkland courses, Paarl and Stellenbosch. Both are pleasant, the [illegible] in [illegible] condition [illegible] site [illegible] tournament golf in recent years.

There are many fine courses besides the ones I visited. Most of the large cities have a num[illegible] of courses, with Durban Country Club usually voted the best in the country.

Best known is Sun City, venue for the annual Million Dollar classic, and a very challenging lay-out. It now has a twin course – Lost City – replete with grand architectural features and a water-hole that is home to dozens of crocodiles. No golfer should resist the challenge of these courses and try, if you can, to stay in the Palace hotel.

For those wanting to mix game-watching and golf, the Hans Merekensky course in the mining town of Phalaborwa should not be missed. Not only is it close to Kruger national park, the main public wildlife park, and luxury private lodges, but there is a good chance of sharing the fairways with baboons and wart hogs.

Zimbabwe also provides visitors with a regional dimension. Newly-developed is the Leopard Rock course in the Eastern Highlands, and Elephant Hills near Victoria Falls. In addition, there are established courses, such as Royal Harare.

■ *Philip Gawith's visit was organised by Into Africa – tel: 27-21-242220, fax: 27-21-242221, PO Box 16336, Vlaeberg, 8018, South Africa.*

***Philip Gawith***

## BOOKS

# Pride and the fall of Prussia

Prussia and England have always seemed to me to have a great deal in common. One chooses the words carefully: Prussia, not Germany; and England, not Britain. Both have a desire for order and a love of institutions. Both ha[illegible] proud of their military. The term *inneres* [illegible], used in this book by Giles MacDonogh, might be loosely translated into English not as "inner Prussianness", but as "stiff upper lip".

The two places, too, have had more than their share of eccentrics: mad professors and scientists, liberals as well as *conservatives*. Perhaps above all they were both colonising powers, not content to stay in their own domain. Both could claim to have had a civilising influence.

The great difference between them was that Prussia was a land power and England, as part of an island, was a sea power. For a time this did not matter: they could go their separate ways. Yet, as Bismarck noted, one of the seminal events in modern history was that it was the English who initially colonised what became the United States. English was on the way to becoming the international language, and a great alliance was born.

Twice this century the alliance stopped Germany in its tracks. But it was worth noting that it was Germany that was stopped, not Prussia. For by 1870 Prussia had become part of a wider German state. It may have suited the allies to say that the new Germany was typically Prussian, meaning "militaristic", yet Prussia had other virtues as MacDonogh seeks to show, and most of the worst German crimes under the third reich were not committed by

**PRUSSIA: THE PERVERSION OF AN IDEA**
**by Giles MacDonogh**
*Sinclair-Stevenson* [illegible]

Prussians. He produces a curious statistic suggesting that of the 500 highest ranking Nazi officials, the Prussians made up only 17, or 3.4 per cent.

In fact, the Prussians were twice put down themselves, the first time by Napoleon and then by Hitler. When Napoleon defeated them in battle, the Treaty of Tilsit in 1807 imposed terms quite as harsh and impossible to meet as those imposed by the allies on Germany after the first world war. But Prussia gradually recovered.

It did so partly through education and partly through developing its military tradition. The two went together: a good soldier needs to be educated. There was a tendency among the military to dismiss the parliament as the *Idiotenhaus* (house of idiots), but Prussia was not on the whole illiberal. Like England it encouraged élites. The chief of these was the general staff. Built up by Moltke, this was like a school in itself, wearing its own uniform. The French were nothing like as organised.

In 1870 the Prussians took their revenge. Taking the long view, however, the unification of Germany that resulted from the Franco-Prussian war was not the triumph of Prussia. Some Prussians would have preferred to have gone it alone. Instead Prussia gradually became submerged in Germany.

True, the old traditions lingered on. The Prussians were prominent under Kaiser Wilhelm, but the old Prussian state was not much loved (or perhaps too much feared) by Hitler. Nazism bloomed late there. In 1928 the party had only six members in the regional parliament. Thus Hitler began his assault. By 1934 the separate Prussian institutions were abolished in the interest of a "non-federal Germany".

MacDonogh's book contains a nice quote from Hermann Göring, who was left in charge of the police: "I've certainly mucked things up. How could I strengthen Prussia's position when Hitler wants to do the very same to the Reich?" So Prussia fell ultimately not to the French, but to the Germans.

There was one other great problem over the centuries. It could not easily co-exist with Poland. In the end there had to be one country or the other. It seems that Poland has finally won, but no-one should think the Prussians were all demons and the Poles all saints.

MacDonogh's book is not the easiest to read. He shows an almost total lack of interest in economic development (which surely must have something to do with the rise of Germany) and some of the names are obscurely introduced. But if anyone really did think that Prussia was simply a war machine, here is a useful corrective.

***Malcolm Rutherford***

# 'Sex for text' contracts

***Did Brecht's lovers write his plays? Jackie Wullschlager investigates***

When Maxim Gorky toured one of the first Soviet concentration camps in the 1920s, the guards spruced up the camp, put [illegible] the [illegible] and, [illegible] suggest a regime of intellectual freedom, added the latest newspapers. The prisoners, too frightened to protest openly, decided to hold their newspapers upside down as a kind of international distress signal. But Gorky marched past unaware and wrote a glowing report of the camp. Almost all the prisoners later died there.

This anecdote introduces the sensational argument which lies at the core of John Fuegi's new biography of Brecht. According to Fuegi, not Brecht [illegible] three actresses [illegible] were his lovers, wrote most of the works – *The Threepenny Opera*, *Mother Courage*, *Galileo* – on which Brecht's reputation stands. Ignored and reviled, they spent a lifetime in silent protest, metaphorically reading their newspapers [illegible].

[illegible] contrast, Brecht, [illegible] murderer-hero Mac [illegible] Knife, [illegible] millions [illegible] charisma and sexy lyrics while pursuing a career as thief, woman-hater and political [illegible].

Is Brecht the latest victim of the politically-correct school of biography, or are these serious allegations which should change our view of the Brecht oeuvre? Either way, this book is compelling. First, its focus on the precise moments of creation of Brecht plays, of who said or wrote what when, illuminates those key movements in the revolution in 20th century theatre which were Brecht's great achievement.

*Second, its multiple biographies* of the so-called "real" authors of Brecht plays give a vivid backcloth to the society and culture from which Brecht came.

Third, it is a provocative detective story set, like the best of Le Carré, in the shadow of the Nazis and the Cold War.

Brecht became famous at 30 when *The Threepenny Opera* opened in 1928; with its ragtime beat, biting anti-capitalism and cast of crooks and tarts, it remains the signature tune for 1920s Berlin.

Fuegi shows that a week before the first night, the work was half written and the leading lady, certain it would flop, had signed to

**THE LIFE AND [illegible] OF BERTOLT BRECHT**
**by John Fuegi**
*HarperCollins £25, 732* [illegible]

*appear elsewhere. There was some* ugly exploitation – Brecht's besotted lover, Elizabeth Hauptmann, wrote-in a "sex for text" contract, which Brecht later repeated with other women; when he married, Hauptmann attempted suicide. But mostly the piece was just thrown together, as happens in the theatre, by Brecht, Weill, Lotte Lenya and others, in a last-minute rush.

Lenya, who had been a teenage [illegible], [illegible] life to [illegible] tarts' [illegible]. Hauptmann [illegible] behind [illegible] fantasy [illegible] in [illegible] Jenny. [illegible] inspiration for "The Cannon Song" from his own homosexual [illegible] and from Kipling's "[illegible] Room [illegible]". When Harold Paulsen, Berlin's crowd-pulling [illegible] star, [illegible] all [illegible] budget on a ludicrously-[illegible] suit [illegible] for the criminal Mac, [illegible] to give up the part [illegible] than [illegible] costume, [illegible] forced [illegible] write an introductory [illegible] describing his crimes – thus, "Mac the Knife", the most popular [illegible] in [illegible] show.

Fuegi rightly [illegible] out that it is the disparate [illegible], especially the [illegible] between the male and [illegible] – [illegible] to [illegible] versus [illegible] in a [illegible] by moonlight – [illegible] *The Threepenny Opera* to mythic level.

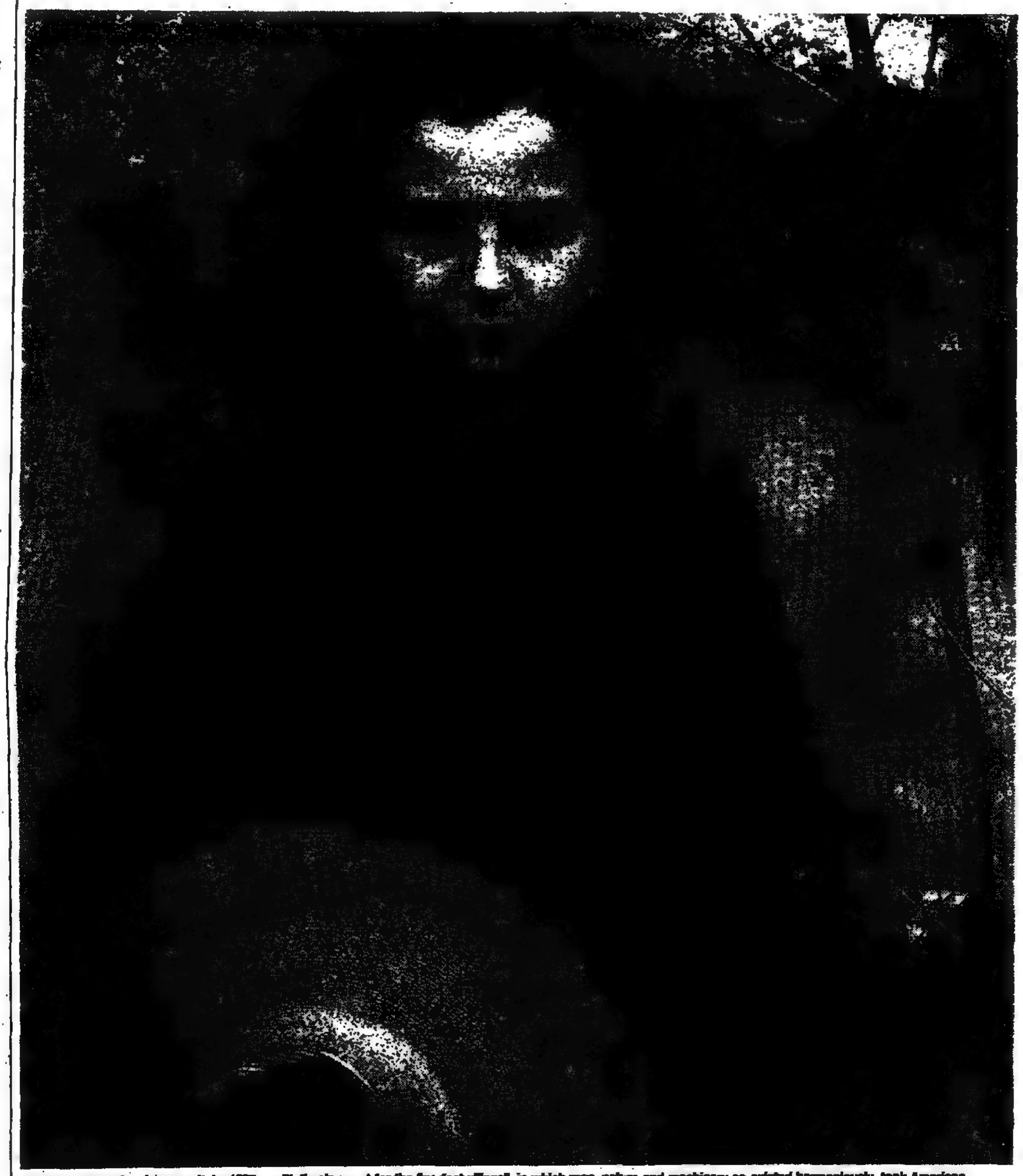
He also offers evidence that two subsequent lovers – Grete Steffin, [illegible] communist girl from the Berlin slums whom Brecht abandoned to [illegible] and Ruth Berlau, a Danish bourgeois revolutionary – provided some material for the strong female roles in [illegible] pieces, such as *Mother Courage*. But [illegible] accuse Brecht of [illegible] them [illegible] Norah Joyce to [illegible] the author of *Ulysses* because Joyce "listened [illegible] the door of her heart" to create the language [illegible] Molly Bloom.

[illegible], *Steffin* [illegible] *Berlau are* significant; [illegible] problem [illegible] that he [illegible] care [illegible] his subject's psyche [illegible] inspiration but only about attributing blame. He calls Brecht a political turncoat for flirt[illegible] with right [illegible] left, with America and [illegible] Germany while keeping his [illegible] bank account. But Brecht was the quintessential non-conforming artist who [illegible] up in East Berlin because the GDR offered him a theatre when neither West Germany nor America would [illegible] him within their borders.

And, of course, he [illegible] his bour[illegible] habits while satirising them on stage – [illegible] plays are rooted in his love-hate affair with the German bourgeoisie. In Berlin, he juggled [illegible] girlfriends but would live only with the family maid he had imported from Augsburg. Nevertheless, he found a tailor to equip each lover with the white Mother Hubbard nightgowns his prim mother had worn in Bavaria – and negotiated a discount for the bulk orders.

It seems perverse [illegible] write about Brecht, the socialist icon, if your only interest is in his feet of clay. When Brecht [illegible] Russia with Steffin in [illegible], he turned [illegible] an invitation [illegible] because, [illegible] said, he could not find enough sugar for his coffee. Does that [illegible] he [illegible] an unprincipled [illegible] or that he cleverly hit on a metaphor for the lack of sweetness in the political regime which [illegible] offend [illegible] communist colleagues?

An in-depth study of Brecht [illegible] paint both aspects of the man: this book [illegible] spirited and [illegible] but hopelessly lop-sided.



A tailor's apprentice, Luzzara, Italy, 1953 – a lifetime's quest for the "perfect village", in which man, nature and machinery co-existed harmoniously, took American photographer Paul Strand on a quarter-century journey through Romania, Egypt, France, Italy, the Hebrides, Ghana and Morocco. In "Paul Strand: The World on My Doorstep 1950-1976" (Robert Hale £25.99, 142 pages), 88 images convey a timeless sense of community and show a master photographer at the peak of his powers.

## Crime/J.D.F. Jones

# Jury stays out on women detectives

Is it time to blow the whistle on [illegible] female private eye? Everyone [illegible] been trying [illegible] and the books are not getting any better. There may be a message in the TV moguls' recent decision to abandon the *Anna Lee* series based on Liza Cody's tame and miniskirted English investigator.

A decade ago, Sarah Paretsky's creation of V.I. Warshawski summoned premature and inaccurate comparisons with Runyon, even Chandler: the new genre was evidently a part of the feminist agenda, and why not. The men fought back – Leonard, Parker, Block, Hiaasen and the rest – and they did so by seeking out new angles, new relevances, in their traditional male preserve.

Let the jury stay out for a few more years, but let us not abandon standards. Paretsky's latest, *Tunnel Vision*, is a near-disaster. It is far too long, it takes 100 pages to get going, the prose is flat to the point of drab, utterly inadequate to cope with any drama, and the dialogue is perfunctory. Much worse, her famous protagonist, Warshawski, is getting to be a bore as she keeps on about her 40th birthday.

"V.I.", the tough Polish-Irish ex-cop in Chicago, is still the radical, liberated, bolshie, private investigator who caused such an impact eight books ago. Trouble is, she hasn't changed. She is as bossy as ever, she goes on and on about her clothes and her cooking and her exercises, she worries about Chicago's homeless families and abused children and battered women and, not so surprisingly you might agree, she begins to fall out with her black cop boyfriend.

She discovers big fraud and laundered money in Chicago's high society. Then she plunges, literally, into the underworld of the city's flood tunnels in a long, slow, procedural P.I. drama in which she takes an unbelievable amount of physical punishment.

At least she vomits when she finds her friend's head mashed into her personal computer – and, typically, Paretsky's pedestrian prose can make nothing of the scene. This is a successful author on auto-pilot. Since the comparisons have been made, it is necessary to say that Paretsky on present form has *nothing* of the magic of the early masters of the trade.

Carol O'Connell is apparently the big discovery of the season, with a million dollars for her first novel, *Mallory's Oracle*. The gimmick – all these books have to have one – is that the woman heroine-cop, Sergeant Kathy Mallory, adopted daughter of a New York police officer, is a computer whizzkid with the soul of a thief. Mallory is shown to be a deeply damaged human being. It would be interesting to see how she might emerge from her traumas in the course [illegible] her pursuit of the serial killer who is responsible for her foster father's murder.

If this is the central theme, it is evaded because Ms O'Connell has so much else to explain to us – lots of computer expertise, false leads and old-fashioned research to do with elderly New York ladies who go to séances. The dialogue is good; the rest of the prose is overwritten, [illegible] the necessary [illegible] or periods of quietness: the *interesting* creation – Kathy – is allowed to drift out of focus in the welter of surrounding detail. [illegible] O'Connell needs a tough editor.

Back to Britain, and cosy Norfolk, with another débutante, Michelle Spring's "Laura Principal", in [illegible]. This [illegible] a spin-off from [illegible] ancient English [illegible] carefully-penned [illegible] varsity-dons-as-sleuths. Who kills Monica, [illegible] lecturer who joins Laura and Helen in their *Country Life* cottage? Why is the Provost such a shit? Will Laura Principal survive to tell the tale? And do we care? The prose is a genteel beta-plus, the plot an unadventurous and very English beta-minus.

All these books emphasise the "psychological" angle – Chandler

**TUNNEL [illegible]**
**by Sarah Paretsky**
*[illegible] £14.99, [illegible] pages*

**MALLORY'S ORACLE**
**by Carol O'Connell**
*[illegible] 282 [illegible]*

**EVERY BREATH YOU TAKE**
**by Michelle Spring**
*Orion £14.99, 210* [illegible]

**CATNAP**
**by Gillian Slovo**
*[illegible] Joseph £9.99, 277* [illegible]

Imogen Stubbs as Anna Lee

would have choked on his martini – perhaps because this seems to offer a more appropriate, or more credible, area of feminine wisdom. [illegible] perhaps [illegible] is more realistic, and interesting, than women performing physical [illegible] on [illegible] usually male. [illegible] that all the women protagonists in this batch are into middle age.

Gillian [illegible] *Catnap* [illegible] the four in developing this psychological angle. [illegible] Baier is yet [illegible] woman private detective, though recently a foreign correspondent, operating in London's Dalston [illegible] all places (talk about "down those mean streets –"!). [illegible] plot, a [illegible] and not-at-all exciting drama about [illegible] looting of pension funds, is more concerned with Kate's need [illegible] come to terms with the death [illegible] her lover [illegible] years before. It is obsessive, worthy, under-powered, and it lingers in the memory. She, like the others, needs to write with more pizazz if we are [illegible] forward [illegible] her next.

## Fiction/Meera Syal

# Tales from Bollywood

These absorbing novels are proof of the imaginative vigour with which Indian novelists are exploring their infinitely varied country. Shashi Tharoor's *Show Business* is an exuberant expose of India's film industry depicted through the rise and fall of Ashok Banjara, superstar and hero of formulaic song and dance "masala movies".

"Bollywood", as the biggest film industry in the world is affectionately known, has always been ripe for parody. Although it has spawned hundreds of artistically thrilling films, these are overshadowed by the mass produced crowd-pleasers, featuring virginal heroines, (doe-eyed bosomy girls adept at the *come-hither-but-don't-touch* smouldering glance), karate kicking heroes (usually poor noble boys sep[illegible] at birth from rich but obviously careless families), moustache twirling villains (whose only words of English are *"Bloody Fool!"* and "Bloody Bastard!"). The accompanying songs feature lyrics which would make a Song For Europe sound complex.

All these stock characters appear in *Showbusiness* as planets orbiting around Ashok's sun. As we follow his rise from budding hopeful, whose father's political connections get him his first minor role, to fully fledged superstar with the obligatory leading actress-cum-mistress in tow, these supporting players continually interrupt Ashok's telling of his own fantastic story. Then something rather strange and wonderful begins to happen: the supporting players begin to outgrow their roles and challenge our hero's perceptions of himself, and of them.

Tharoor cleverly interweaves first [illegible] narrative with hilarious reconstructions of the films and it soon becomes clear that not only are these people more complex than their apparent roles (for example, the leading film villain is the most decent man in the book), but that all of them harbour painful secrets which reveal Ashok to be a sham.

Tharoor pulls focus constantly like a mischievous camera man, all the while drawing parallels between this unique film culture and India herself. Are these movies opiates for the masses, radical tracts which [illegible] the dreamer to act, or as *Tool*, the guru, declares, *perfect* examples of the Hindu notion of time, that is: "endlessly repeated variations on a few basic themes...?"

Rama Mehta's *Inside The Haveli* is a reflective novel in which a newly-wed bride, Geeta, educated and outgoing, arrives at her husband's ancient family home, the haveli, and finds she is suddenly in purdah and forced to live within the traditional confines of a 500-year-old joint family system. Women must always be veiled and are not allowed to cross the courtyard into the men's separate quarters.

Mehta's sensitive attention to detail pulls the reader in, reluctantly at first maybe, until you realise with a shock that you are undergoing the very process of adaptation which underlines the protagonist's

**SHOW BUSINESS**
**by Shashi Tharoor**
*Picador £15.99,* [illegible] *pages*

**INSIDE THE HAVELI**
**by Rama Mehta**
*Women's Press £7.99, 208 pages*

journey. Geeta is an outsider, the first wife not to have come from another haveli, Bombay-educated, and therefore already marked by the other women as a possible rebel who could undermine a way of life they have upheld for generations. And the reader rebels with her at first, chafing at the apparent banality of the servants' chatter and the rigid formality of Geeta's interaction with her family, every liberal tendency yearning for her escape. But as Mehta gradually creates a world which invests the smallest detail with great emotional resonance, the nameless [illegible] rounded characters, and [illegible] in-laws change from rigid [illegible] into dignified, proud people [illegible] traditions seem [illegible] protection [illegible] continuation [illegible] than subjugation.

[illegible] time the [illegible] babies born [illegible] beginning [illegible] book [illegible] women [illegible], like us, is [illegible] that [illegible] to [illegible]. Mehta brings immense [illegible] a way [illegible] life that we [illegible] by the end of the book is rapidly vanishing and her deceptively simple prose is [illegible] with [illegible] that [illegible] initial knee-jerk [illegible] against the haveli is replaced with [illegible]thing approaching admiration.

The [illegible] a poignant illustra[illegible] complex struggle [illegible] and continuity and of its painful cost in human terms. Rama Mehta herself was the first woman to be appointed to India's foreign service, and was forced to resign upon marriage.

Individually, these two novels trumpet talent; together, they are a startling reminder of how progressive chic and urban corruption exist side by side with unquestioned traditions, and how chasms separate the lives of those individuals who share the label Indian.

■ *Meera Syal is a screenwriter and actress.*

ARTS

# The innovative spirit of Salzburg

*Will Gérard Mortier's reforms get the festival governors' seal of approval?* ***Andrew Clark reports***

By the middle of next week, Gérard [redacted] should know whether [redacted] has [redacted] his campaign [redacted] reform [redacted] Salzburg Festival. The festival's board [redacted] dominated by public funding [redacted] will decide on Tuesday whether [redacted] enough [redacted] Mortier's plans for [redacted] summer. If he [redacted] forced to reduce his programme of 20th century music, Mortier will probably leave when his [redacted] as artistic director [redacted] up for [redacted] in [redacted] If his plans [redacted] approved, he will know that [redacted] olution he led [redacted] Europe's premier [redacted] here to stay.

The decision hangs [redacted] a knife-edge. Although Austria has suffered less from recession than neighbouring Germany, cultural subsidies [redacted] come under pressure as politicians adopt [redacted] hard-nosed approach ahead [redacted] national elections in the autumn. [redacted] reforms [redacted] not [redacted] cheap: this year's Sch505m [redacted] budget is nearly 25 per cent higher than in 1990. But self-generated income [redacted] climbed proportionately, [redacted] Mortier has always argued that [redacted] revitalised festival would [redacted] Salzburg better in the long-term.

The irony of the situation is that [redacted] summer's festival, now [redacted] half-way point, is [redacted] of [redacted] successful [redacted] Despite a [redacted] cent rise in seat prices, many [redacted] people are buying tickets for [redacted] ern works than could have been predicted when Mortier arrived [redacted] years [redacted] The atmosphere is livelier, more contemporary, [redacted] formal than it used to be. Salzburg [redacted] regained the [redacted] spirit with which Max Reinhardt, Hugo [redacted] Hofmannsthal and Richard [redacted] launched the festival in the [redacted]

[redacted] appointment [redacted] in [redacted] Salzburg [redacted] still recovering from the [redacted] of [redacted] von Karajan. Under his tutelage, the festival had become money-oriented, conservative [redacted] stagnant. [redacted] arrival was like [redacted] explosion. He publicly [redacted] Salzburg's business community, the [redacted] industry, the [redacted] Philharmonic [redacted] major artists, [redacted] them of milking [redacted] line their own pockets. He [redacted] public, more [redacted] programming. Salzburgers [redacted] their arms in horror, fearing [redacted] Belgian incomer would [redacted] their rich [redacted]

[redacted] finally begun [redacted] tle. Mortier [redacted] outspoken, [redacted] prepared [redacted] the talking. "People [redacted] starting [redacted] now," [redacted] Elke Polzer, owner [redacted] Salzburg's [redacted] ticket [redacted] "They see there are just as many [redacted] as [redacted] Any [redacted] would [redacted] it hard [redacted] Karajan, [redacted] it particularly tough [redacted] he [redacted] direct and provocative. Austrians prefer [redacted] speak in [redacted] ways."

Behind [redacted] polemics, [redacted] kept [redacted] that [redacted] This summer's [redacted] Giovanni and [redacted] expensive seats, priced Sch3,900 (£230), [redacted] out when booking opened in January. [redacted] lier and *La traviata* follow next year – even though [redacted] repertory works are not a festival priority. [redacted] has kept [redacted] performances [redacted] Grosses Festspielhaus, knowing they would [redacted] The [redacted] by Jessye [redacted] Sophie Mutter, [redacted] glamorous [redacted] ever.

The Summer Festival's revolutionary artistic director, Gérard Mortier

Mortier's [redacted] popular move [redacted] been [redacted] upgrade [redacted] drama programme, increasing the [redacted] appeal [redacted] German-speaking constituency. [redacted] now [redacted] for [redacted] a quarter of [redacted] sold, [redacted] more than [redacted] the [redacted] jan [redacted] Stein's production of *Antony* [redacted] *Cleopatra*, [redacted] Edith Clever [redacted] middle-aged but [redacted] matic [redacted] been one of [redacted] biggest [redacted] draws, [redacted] battering from [redacted] press. [redacted] *Mountain Giants*, [redacted] by Luca Ronconi, was [redacted] popular and critical [redacted]

[redacted] the main battleground continues [redacted] century [redacted] Here again, Mortier [redacted] remarkably adept [redacted] creating a [redacted] covered they [redacted] only buy [redacted] for *Don Giovanni* as part of a subscription including [redacted] popular works [redacted] *The* [redacted] *Progress*; [redacted] enjoying [redacted] lively Stravinsky staging [redacted] Mozart.

Mortier [redacted] youth subscription scheme, subsi[redacted] by [redacted] Boveri, which enables [redacted] of the [redacted] price.

[redacted] plans a new production [redacted] *Lulu* [redacted] *Aron* in [redacted] But [redacted] will be [redacted] is tight. [redacted] why he [redacted] whole-[redacted] endorsement of his [redacted] he [redacted] to stay beyond 1997. "He's proved [redacted] repertoire [redacted] not a problem [redacted] the public," [redacted] a close Mortier associate. "The problem [redacted] political. He will not accept [redacted] situation where he [redacted] forced systematically [redacted] modern [redacted] He [redacted] to [redacted] able to [redacted] plan adventurously. [redacted] the [redacted] will [redacted] where it [redacted] – little [redacted] than [redacted] commercially suc[redacted] tourist event."

There are [redacted] unresolved prob[redacted] While [redacted] support of most artists (and has patched up [redacted] differences with [redacted] Muti), [redacted] only a temporary [redacted] with the Vienna Philharmonic. The orchestra has signed an agreement putting a ceiling on its fees for the next three years, and guaranteeing stability of personnel from rehearsal to performance.

But it remains extremely expensive, [redacted] has had no difficulty finding acceptable alternatives. [redacted] Harnoncourt's cycle of Beethoven symphonies [redacted] summer, for example, was given by the Chamber Orchestra of Europe [redacted] virtuoso vitality put their Viennese [redacted] in the shade.

Although the Philharmonic has the powerful Viennese press on its [redacted] it [redacted] running short of bargaining chips. A Shostakovich programme [redacted] weeks [redacted] showed [redacted] ill-equipped it [redacted] tackle 20th century music without lengthy rehearsals. [redacted] orchestra at [redacted] Vienna State Opera during [redacted] winter season, its players look forward to spending the summer in Salzburg, and many have bought holiday houses there. A boycott of [redacted] would upset their lifestyle.

Mortier's other *bête noir* is Claudio Abbado, artistic director [redacted] the [redacted] Festival. The [redacted] communicate [redacted] coordinate their plans. There has been speculation that if Mortier resigns, [redacted] quiet-spoken, politically astute Abbado would [redacted] first [redacted] his place. That would reunite [redacted] and [redacted] festivals under one all-powerful conductor. It would restore the old [redacted] between Salz[redacted] and Berlin. [redacted] is [redacted] conductor of [redacted] Berlin Philharmonic. And – without ditching all [redacted] Mortier's innovations – it [redacted] give [redacted] crown [redacted] new [redacted] in [redacted] Karajan [redacted]

Living in memories: Catherine Byrne in the title role of the play, which is directed by the playwright

# A blind case of self-parody

***Alastair Macaulay** reviews Brian Friel's new play 'Molly Sweeney' in Dublin*

If [redacted] *of Two* [redacted] were a [redacted] play by Brian Friel, [redacted] is how it [redacted] begin:

"I [redacted] Ballybeg. It was [redacted] best of times, oh [redacted] best. Oh [redacted] gaiety [redacted] Phil the [redacted] ball, hadn't [redacted] just – and what gaiety. Joy, such joy. I [redacted] dancing – dancing with no [redacted] of time, *no sense of place*, just dancing, liberated in the moment – and I remember thinking [redacted] could [redacted] stop. And [redacted] I thought Phil was somehow [redacted] happy than he [redacted] allowing [redacted] to [redacted] Because, though it [redacted] best of times, the best, it was also [redacted] worst. Certainly [redacted] Phil, [redacted] worst. I [redacted] saying 'You were [redacted] ler' [redacted] him, [redacted] 'Your sense [redacted] reality [redacted] only [redacted] reality.' Anyhow, anyhow...

I crib [redacted] of [redacted] parody from Friel's [redacted] *Sweeney*. Why? [redacted] play – which opened in Dublin's Gate [redacted] on Tuesday – [redacted] self-parody. Granted, the beloved author [redacted] *Dancing* [redacted] *Lughnasa*, *Translations*, *Philadelphia*, [redacted] *Come!*, [redacted] others, has turned [redacted] new subject-matter here. In [redacted] *Sweeney* [redacted] us [redacted] case-study of a contentedly blind married woman. [redacted] an operation partially [redacted] her sight, [redacted] cannot [redacted] with [redacted] plenitude of sensation. [redacted] both [redacted] ing and from consciously acknowledging [redacted] world around her.

Questions of inner v. [redacted] nal vision, specifically [redacted] to Bishop Berkeley's 1709 *Essay Towards* [redacted] *Theory of Vision*, are raised. So [redacted] does Friel do [redacted] all [redacted] new [redacted] He [redacted] all his corni[redacted]

You may recall that one New York critic, unjustly but memorably, dubbed *Dancing at Lughnasa* "the memory play from hell". Well, in *Molly Sweeney* Friel has plunged many circles lower into [redacted] memory-play inferno.

For its first [redacted] hours [redacted] half, [redacted] three characters do is remember. Molly, her ophthalmic [redacted] Mr Rice, [redacted] her husband Frank tell us their memories; [redacted] they digress plenty too. (Anyhow...) They [redacted] converse with [redacted] other. Then, in the final five minutes, Molly switches into the present [redacted] At last! But then you realise that her continuous "present" is [redacted] inner world compiled from – [redacted] – memories, [redacted] have already [redacted]

It [redacted] astounding how sluggishly, and [redacted] what [redacted] repetitions, [redacted] *Sweeney* [redacted] its tale. [redacted] essential [redacted] – a heroine confronted with an uncomfortable [redacted] reality – is [redacted] same as addressed by Harold Pinter with [redacted] more bite in his brief playlet *A* [redacted] *of Alaska*.

Friel [redacted] a woolly sub-feminist filter; he shows [redacted] that Molly's doctor and husband, less utterly [redacted] in [redacted] than [redacted] are preoccupied by other aspects [redacted] their own lives. All [redacted] characters [redacted] always stuck in their own private worlds, you [redacted] Molly, retreating into [redacted] actually [redacted] than the men.

I hope [redacted] only by [redacted] *Sweeney* in several features resembles another [redacted] play *Landscape* – which [redacted] revived with [redacted] in [redacted] very theatre in May. Here too [redacted] heroine speaks [redacted] light and shade, of the [redacted] of [redacted] window, [redacted] of the direction from which light [redacted] coming; here [redacted] in [redacted] is [redacted] with petty [redacted] power-games; here too she [redacted] nothing happens except in the [redacted]

Accident or not, Friel [redacted] stripped [redacted] play of drama (whereas Pinter's plotlessness intensifies his drama). [redacted] plays have have created stage events [redacted] haunt [redacted] long afterwards, such [redacted] great [redacted] in *Dancing at Lughnasa* in [redacted] the sis[redacted] release their primitive impulses, [redacted] dialogue between English soldier [redacted] Irish girl in *Translations*, speaking [redacted] each other in their own languages, [redacted] knowing [redacted] they [redacted] voicing desires diametrically opposed.

[redacted] Vanek's [redacted] eloquent: it has a triangular [redacted] area [redacted] characters sit (occasionally rising) and talk, a rear, petal-laden [redacted] Molly finally withdraws, [redacted] glowing, [redacted] garden view [redacted] like Odilon [redacted] of [redacted] garden at Argenteuil.

T.P. [redacted] the best [redacted] the three actors in [redacted] best role, makes the [redacted] of Mr Rice's [redacted] complexities. [redacted] role of Molly, however, contains [redacted] but [redacted] chrome, lyrical, reflective charm: as Catherine Byrne's performance reveals. As for [redacted] Sweeney, [redacted] carries [redacted] like [redacted] cheap [redacted] the role isn't much, [redacted] is slightly more human than this. Maybe we should blame the director: namely, Friel himself.

[redacted] one passage, Molly recalls her utter pleasure [redacted] swimming when blind, swimming in all its tactile and sensuous delight, swimming so fully enjoyed in her sightlessness that [redacted] felt that the pleasure felt by swimmers with vision [redacted] be a [redacted] complete pleasure. This might [redacted] a [redacted] image, but [redacted] tells [redacted] been told by Friel [redacted] *Viz*: all [redacted] civilisation do nothing but [redacted] from our [redacted] innocent and fulfilling instincts.

Ballybeg – locale of so many Friel plays – may have had its [redacted] over the centuries, but in each play [redacted] starts out as [redacted] carefree Garden of Eden. Then the inhabitants of Ballybeg eat the fruit of the tree of progress. I remember Ballybeg, oh yes; I remember the paradise I lost.

At the Gate Theatre, Dublin. It will [redacted] to [redacted] Theatre, London.

# Rare outing for Purcell's Indian Queen

When [redacted] Glasgow International Early Music Festival would be biennial, somebody omitted to count ahead and notice that there would be no festival in 1995. That is the year of the Purcell tercentenary – well set to be the biggest early music jamboree that Britain has ever seen.

Glasgow was not to be outdone. For the major attraction of the 1994 festival, it is ambitiously presenting a fully-staged production of *The Indian Queen*, one of Purcell's musical works on – or around – a play by Dryden. Is it an opera? Is it a play with incidental [redacted] in Purcell's [redacted] there [redacted] some [redacted] cision [redacted] to [redacted] these semi-operas were intended [redacted] it [redacted] surprising [redacted] find that they rarely [redacted] a showing.

Unfortunately for Purcell [redacted] these [redacted] con[redacted] of the composer's best [redacted] usual [redacted] is to perform [redacted] in con[redacted] the [redacted] as [redacted] synopsis [redacted] the programme. [redacted] commemoration [redacted] Purcell's death [redacted] however, demands more [redacted] And it will [redacted] both the Royal Opera and [redacted] have [redacted] fully-staged productions of [redacted] famous of the semi-operas planned.

Their [redacted] probably [redacted] more lavishly [redacted] and sung than [redacted] *Queen* [redacted] had [redacted] but they will do [redacted] to [redacted] half [redacted] convincing. On the only other [redacted] that I [redacted] seen *The Indian Queen* performed as intended with play and music together, the two art-forms barely made contact, as though musicians and actors were not on speaking terms. Kate Brown, the producer in Glasgow, achieves a far greater unity than that.

Unlike *The Fairy Queen* or *King Arthur*, this work does [redacted] music [redacted] heart of [redacted] drama. The key scene [redacted] wicked queen's [redacted] to the [redacted] cave, where Purcell [redacted] supernatural to [redacted] world [redacted] from [redacted] earthly scenes of the rest of the play. [redacted] Thomas was marvellous as [redacted] Ismeron, growling in [redacted] for [redacted] lines and slowly rousing himself [redacted] song.

Otherwise, Purcell mostly [redacted] general [redacted] from [redacted] drama, an [redacted] story [redacted] warriors. There [redacted] not [redacted] could do [redacted] the play, which rarely [redacted] with such disciplines as logic or [redacted] Triumphant generals [redacted] change [redacted] at the drop [redacted] helmet [redacted] tyrants are liable to be seen [redacted] chains in the next scene [redacted] no apparent reason. Juliet [redacted] played [redacted] Indian [redacted] as a cross [redacted] and Cruella de Vil. Out [redacted] ludicrous material [redacted] Whittle [redacted] Dan Maxwell did well [redacted] create serious male leads.

The musicians [redacted] an [redacted] time [redacted] it, as Purcell's score [redacted] overflowing with [redacted] and dance music that have brilliance [redacted] character already [redacted] in. [redacted] soprano Tinuke Olafimihan stood out [redacted] Gregory Squire conducted the Baroque Orchestra of the Scottish Early Music [redacted] than [redacted] They should all thank [redacted] Brown [redacted] giving them a production [redacted] by [redacted] had [redacted] and effervescence. It is amazing what one can [redacted] with [redacted] tiny budget and a big imagination.

***Richard Fairman***

Final performance at the Citizens' Theatre, Glasgow, tonight.

# By the Grace of Getty

The long running [redacted] Three Graces [redacted] on Thursday night [redacted] Paul Getty II, the reclusive anglophile [redacted] oil billionaire, phoned [redacted] Heritage Secretary Stephen [redacted] him that he [redacted] £1m [redacted] keeping Canova's neo-classical [redacted] of [redacted] daughters [redacted] Jove in the UK.

Getty's [redacted] a gigantic step in closing the [redacted] the £7.6m [redacted] his father's museum in Malibu, California has [redacted] Three [redacted] already [redacted] by heritage [redacted] in [redacted] UK.

For Timothy Clifford, direc[redacted] of the [redacted] Galleries in Scotland, who last weekend [redacted] the banner [redacted] save the [redacted] Graces from imminent export, it [redacted] a dream come true."National Gallery [redacted] staff [redacted] dancing with joy," [redacted] said yesterday."I'm [redacted] Graces are now [redacted] smiles".

It was in 1982 that the Mar[redacted] Tavistock [redacted] to dispose of [redacted] statue which had lain unnoticed at Woburn Abbey for almost two centureis. An ancestor, John Russell, 6th Duke of [redacted] had spotted a version of the Three Graces [redacted] Canova's studio [redacted] on the [redacted] Tour. It [redacted] by [redacted] Empress Josephine, wife of Napoleon.

[redacted] Duke [redacted] and built [redacted] sculpture court [redacted] Woburn to [redacted] prize. But taste changed, [redacted] of the [redacted] dwindled. By [redacted] early 1980s the [redacted] the Marquess of Tavistock, approached the Victoria [redacted] Albert [redacted] and [redacted] the statue for £1m.

[redacted] sum [redacted] exceeded [redacted] annual purchase [redacted] of [redacted] impoverished museum [redacted] was forced [redacted] look [redacted] buyer. In [redacted] mysterious [redacted] Art Investment & Display, a Cayman [redacted] registered [redacted] pany which [redacted] believed [redacted] linked to [redacted] Marquess, [redacted] it to [redacted] Museum [redacted] for £7.6m.

Immediately the [redacted] heritage lobby was in uproar and successive [redacted] and heri[redacted] have delayed the export [redacted] statue [redacted] hope that British galleries [redacted] museums could [redacted] a matching sum. It [redacted] have finally [redacted] Christie's warehouse (where [redacted] has languished [redacted] years) [redacted] week, [redacted] Heritage Secretary Stephen Dorrell, in his first important decision, delayed [redacted] export until November 5.

[redacted] Getty Museum was furi[redacted] "Evidently [redacted] have had in the [redacted] export [redacted] system [redacted] been misplaced. Our [redacted] have [redacted] blatantly [redacted] by manipulations of [redacted] export [redacted] system", [redacted] director John [redacted]

He will [redacted] peeved [redacted] hear [redacted] John Paul's inter[redacted] son did not get on, and on previous [redacted] Getty Museum, the [redacted] in [redacted] annual expenditure [redacted] a year, [redacted] thwarted by J. Paul Getty II contributing [redacted] appeals [redacted] keep [redacted] of [redacted] in [redacted] UK.

[redacted] throwing [redacted] weight behind [redacted] he [redacted] a [redacted] The ebul[redacted] Clifford loves [redacted] crisis [redacted] waged many [redacted] against [redacted] Getty Museum, wining [redacted] cio painting and a [redacted] bust), losing others (a Mant[redacted] and [redacted] Poussin). [redacted] John [redacted] Getty II [redacted] Clifford with [redacted]

Clifford was "totally [redacted] guine" about keeping [redacted] Three [redacted] Getty's intercession. [redacted] £12,000 from Kwik-Fit, [redacted] Edinburgh based [redacted] an appeals campaign and was already leaning on whisky and North [redacted] oil [redacted] panies and banks in [redacted] contribute funds. Getty's £1m makes his chance [redacted] success [redacted] likely.

The aim is [redacted] Edinburgh and the V&A, [redacted] deserves [redacted] for keeping the campaign alive. [redacted] V&A has pledged £1.1m towards [redacted] price (as [redacted] Galleries of Scotland) while [redacted] Heritage Fund [redacted] weighed in with £3m [redacted] National Art [redacted] Fund with [redacted]

A public appeal was [redacted] it attracted only £80,000. [redacted] Graces [redacted] failed to [redacted] popular nerve. [redacted] is [redacted] loved by connoisseurs who appreciate [redacted] artis[redacted] links [redacted] through the [redacted] classical [redacted] the [redacted] Imperial [redacted] and [redacted] century [redacted] Athens. [redacted] John Paul Getty's gesture [redacted] much sympathy with the Getty Musuem. It had been [redacted] hanging [redacted] for [redacted] and in [redacted] days [redacted] travel a sculpture on show at Malibu is likely to be seen by almost as many British people as one in the UK. In the past the Getty has always played the game. It has been reluctant to poach major national treasures. It may now think its rectitude has been exploited.

Ironically, later in November the [redacted] Lottery [redacted] which should [redacted] that in future nothing [redacted] importance [redacted] The Heritage Lottery Fund will [redacted] at [redacted] £150m rising [redacted] £300m a year with which to shore up the heritage. The Three Graces should [redacted] last fight [redacted] keep the UK chockful with treasures.

***Antony Thorncroft***



هكذا في الأصل

Canadian Robert Lepage, whose 'The Seven Streams of the River Ota' arrives in Edinburgh tonight

# Scenes of infinite variety

*Karen Fricker watches the controversial director Robert Lepage at work on his new theatre piece*

A samurai sword, a guidebook to the Jewish museums of Prague, a folding wooden measuring stick, the Maria Callas recording of *Madama Butterfly*, an electric guitar, videotapes of *The Seventh Seal* and *Hiroshima Mon Amour*, a script of Yukio Mishima's *Madame de Sade*, a [illegible]pointed star made of yell[illegible] cloth.

Scattered on a table in a [illegible] City rehearsal room, these objects are the physical resources for Robert Lepage's new theatre piece, *The Seven Streams of the River Ota*; some are background materials, others props. As their variety indicates, the cultural reference of *The Seven Streams* spans wide – from the Nazi concentration camps in Czechoslovakia, to 1960s Paris, [illegible] York, to post-war and contemporary Japan. The company is [illegible] its [illegible] rehearsals before it takes the show to the Edinburgh Festival.

You would think, this late in the game, that there would be tension in the room, but the atmosphere is remarkably low-key; Lepage has clearly learned to keep the pressure at the door. And the pressure has been on: over the past five years he has become one of the theatre's most in-demand artists, directing at major venues including London's National Theatre where his *Midsummer Night's Dream*, set in a mud pit, raised hackles and filled houses; creating and touring a one-man show, *Needles and Opium*; running, for two years, the French-language wing of the [illegible] Centre; directing pop star Peter Gabriel's world tour concert; and attracting the attention of, among others, Al Pacino and Gerard Depardieu, both of whom have approached the 37-year-old director about working with him.

But the jet setting took Lepage away from Quebec, the embattled province that gives him his artistic and cultural identity, and now he is making a conscious effort to redirect his focus homeward. He is negotiating a long-term lease on an abandoned fire station in Quebec City's port district, which he plans to convert into a multi-media arts centre. This summer he directed his first feature film, *Le Confessional*, in Quebec City and Montreal. And, with *The Seven Streams*, he has returned to the creative method that first brought him fame: epic-scale collaborations created with a troupe of from Quebec [illegible] Ex Machina Project that is a regrouped version of his first ensemble, Theatre Repere.

The genesis of *The Seven Streams* came during a visit to Japan last [illegible] "An old Japanese scholar and his [illegible] were giving me a car tour of Hiroshima," he says, "and we drove across a set of two bridges across the River Ota called the Yin and the Yang, which are very consciously constructed to represent the male and female sexual organs. The old man explained to me that after the bomb, the first thing that was reconstructed in the city were these bridges – that since there was death all around they wanted life to start up again, and to create life you need sex.

"I was stunned to see that in this area where the sense of death is so present that suddenly there is [illegible] figurative representation of life and sexuality. I decided I wanted to do a piece about that – about sex and death, sex and [illegible]"

In January, eight actors began work on the project. Several plot lines began to take shape: an American navy photographer comes to Japan in 1946 to photograph the aftermath of the bombing, and meets a Japanese woman disfigured by radiation. A young Quebec man arrives in present-day Hiroshima to study calligraphy, and takes a room with an older Czech woman, whose life is replayed in picare[illegible]ue flashback. Their lives become entangled with a Quebec diplomat stationed in Japan and his bored, shrewish wife.

By June, the show's structure is set: seven sections, called [illegible] (boxes), played against a wall of seven sliding panels, designed by Lepage. No script, *per se*, exists at this point – structure always precedes dialogue in Lepage's process – but sheets of paper on the walls, constantly being amended, diagram the [illegible] of scenes. Each actor plays multiple roles, and casting is, to say the least, flexible: after one actor dropped from the show late in the rehearsal process, some of his roles were farmed out and others taken by the stage manager.

At each rehearsal session the company runs through a *boite*. Some go smoothly; others are still raw, the actors improvising their way through scenes, slowed at times by Francophone cast members who have difficulty extemporising in English.

At the end of each session, the company sits down to talk. What worked? What didn't? Is the section finished, or do they [illegible] to work through it again? Most importantly, what did they learn about the characters and situations that they did not know before? This notion, that they are discovering truth, not inventing fiction, is at the heart of Lepage's aesthetic.

"[illegible] even start to write or explore a show, it exists," he says. "It has a subconscious of its own, a content of its own. The actors, in their improvisations, are digging in the piece, and they uncover things – objects, relationships, coincidences, facts. Then we have discussions to figure out how we can connect these things we have discovered with the things we already know."

For the observer, despite the sometimes grinding pace, rehearsals are [illegible] with the intense moments of discovery and connection that typify Lepage's work: the repetition of a prop, gesture, or line of dialogue reveals a previously hidden relationship; with a lighting change, a set piece takes on a new identity. Lepage has particular fun with [illegible] set's [illegible] door panels, playing out scenes in silhouette against them, then turning them into video screens; after this show audiences are unlikely to look at train station photo [illegible] the same way again.

After its initial British tour, *The Seven Streams* [illegible] booked [illegible] festivals and venues throughout Western Europe and Quebec for the next three years; several bookings in Japan are set to coincide with the 50th anniversary of the bombing of Hiroshima. As the piece moves, it will grow from three to seven hours long, not through the addition of new sections but through the expansion of the segments already in place. Will it ever be finished? That, for Lepage, is not the point:

"There is no recipe, no series of rules, no theory behind what we do. You cannot put a Shakespeare play and a Tennessee Williams play in the same microwave oven and expect them to be 'done.' How is this meal is going to be cooked? We'll have to discover that as [illegible] along."

*The Seven Streams of the River Ota* plays at the [illegible]bank Sports Centre in Edinburgh from August 13-21; at the Tramway Theatre, Glasgow from October 6-8; [illegible] Manchester City of Drama from October 13-15; and at the Riverside Studios [illegible] London from October 20 to November 5.

# Rude health blossoms on the Edinburgh Fringe

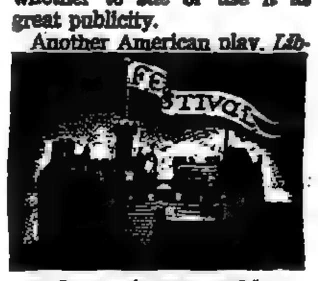
Before the official festival starts with Mahler conducted by local son Donald Runnicles, the Edinburgh theatre fringe has blossomed into rude, sometimes very rude, health.

The usual strong transatlantic influence is evinced at the Traverse, a venue so vital to Edinburgh in the festival and out of it that it seems anomalous to classify it as fringe. Besides the Canadian Brad Fraser's rather disappointing recycling of previous themes in *Poor Super Man*, reviewed last month, two plays by Americans have already made their mark. *Killer Joe* is part of what seems like this festival's trend towards the strong meat of brutal sex and violence. Tracy Letts' play is performed superbly by the Hired Gun Theater of Chicago.

This is Sam Shepard territory, a trailer park in Texas. Ansel (Marc A Nelson, grossly beer-bellied over his Y-fronts) shares a mobile home with his second wife Sharla who is in the habit of answering the door naked from the waist down. The plot is less important than mood, but it centres on killing Ansel's [illegible] for her life insurance. Also in the scheme are the children of the first marriage, feckless Chris and the fey virginal Dottie.

The killer of the title is the hitman (Eric Winzenreid) who demands Dottie as part of his fee, to the [illegible] unhappiness of Chris who obviously feels more than brotherly love for his sibling. Brilliant acting (notably from Michael Shannon and Shawna Franks as the Siegmund and Sieglinde of the caravan set) steers the characters clear of cliche and the play is often funny as well as disturbing. Wilson Milam's direction explodes into discom[illegible] vivid violence [illegible] threatens to burst the bounds of a claustrophobic set (designer: Luke Grimm). *Killer Joe* is an engrossing work – which incidentally depicts an act of sexual outrage on no-good Sharla (Holly Wantuch) that should leave Kentucky Fried Chicken uncertain whether to sue or use it as great publicity.

Another American play, *Liberty Oregon*, is presented by an English-based group. The year-old Foothold Theatre Company has already given Steffen Silvis' haunting ode to the casual[illegible] of a forgotten corner of history at the Man in the Moon, Chelsea, but it deserves its festival showing. Sometimes falling into the trap of self-conscious Fine Writing, the piece nevertheless generates power in Natasha Carlish's confident production.





Here the presiding d[illegible]ty [illegible] John Steinbeck, with a dash of genuine loathing for small-town redneck America that is all the author's own. We meet Nadia Novitski as a young girl collecting shells on the beach, and her father, a strike-leader at the local saw-mills. Nigel Hook's set drapes a tattered Old Glory above the suggestion of a worm-eaten, splintered world that harbours fundamentalist Christians beating the devil out of the rebellious girl, racist authorities that intern Japanese American citizens after Pearl Harbour, and inanely bright proprietors of burger chains, the new carpet-baggers snapping up the internees' property.

We follow Nadia's quest to find out what happened to her father and the other mill-hands after they were transported on a freight train, roped and hooded, to oblivion, her father bearing a good-luck shell from the beach. Silvis has a savage eye for his own new world: the religiosity and racism, the corruption and inequity of the melting-pot that never [illegible] of new Americans – German or Irish or whatever – "driven by [illegible] dreams of how they once belonged somewhere else"; and the totemic nationalism of those "ending up in some shotgun shack pledging allegiance to a rag".

The play ends [illegible] with the disappearance of Nadia as she nears the revelation of what happened to her father. The radio news reports a woman being picked up in the middle of nowhere carrying human bones and a petrified shell. The item is [illegible] and then all traces of Nadia officially disappear.

Uniformly well acted by an Anglo-American-Malay cast (David Gilliam's adept doubling – vicious sheriff, all menacing rage, and alcoholic derelict – is typical), the play is dominated by Sarah McVicar. She gives Nadia a toughness that never becomes bitter, a weary hopefulness that casts a radiance at the heart of the author's unforgiving vision.

I felt pretty unforgiving after an hour of *Bow to the Beast*, where the audience is harangued by a bare-chested young man, apparently a serial killer though this assumption of these particular sins could merely be part of his messianic conviction that he is the "psychopathic Christ" – no, sorry, *we* are the psychopathic Christ. Though "devised" by the company (the usually accomplished Boilerhouse), the text is attributed to Barry Graham, an angry young Scottish writer, ex-boxer and Zen Buddhist. Descriptions of murder and necrophilia or choking a child to death on Smarties may pack a certain shocking punch, but the conclusions are both banal and illogical, the methods stale – TV interviews with Nazi camp officials and their families: "He was a good man, a good father, doing his job". The moment of truth comes fairly near the beginning when we are informed "What I am going to have to show you you will never [illegible] Knightley performs with ferocious physical intensity.

Off the Royal Mile, [illegible] Pleasance's complex of performance spaces is already humming with activity. A trifle tentatively in the case of *Abducting Diana* which I saw early in its run before the company, Moving Theatre, had ironed [illegible] technical problems. I would be more worried about injecting some thrust into [illegible] Penhaligon's sleek dumpling performance of what should be a cyanide soufflé in the title-role. This British premiere of a 1986 Dario Fo comedy is not about you-know-who. The original Francesca was a banker kidnapped and held to ransom; in Jonathan Banatvala's production she is a media tycoon, one Diana Forte-McKaye. Typically for Fo, farce is piled on social comment, but the Italian fun fails to fizz in English. Everything [illegible] too exaggerated. [illegible] are national styles in injustice, and this does not quite gel, despite painstakingly interpolated British references to such natural targets as Stringfellow's, Hello! and The Independent.

Some of the translation is doggedly [illegible]. Some is quite funny, but not enough to clarify the tangled threads of this plot of bluff, double-bluff, twist and turn. And writers of comedy should never tempt comparisons by mentioning other comics. "This is isn't Ray Cooney," [illegible] someone sharply. Alas no. Full marks to Clare Welch as Diana's mother for crisp comic style.

***Martin Hoyle***

Chess No 1034: Black blundered by Qxe7? 2 Qa8+ Kc7(Kd7 3 Qxc8+) 3 Rxc6+ Kd7 4 Qc8 mate, but he could have won by 1 . . . Rh1+! 2 Kxh1 Qd5+ and Rxg3.

MEDITERRANEAN PROPERTY: PART 2

For FFr33m . . . the Villa Le Cottage at Cap Ferrat, France

For Pta235m . . . [redacted] house [redacted] near [redacted]

# From Tuscan dreams to Spanish mills

***Gerald Cadogan** looks at three countries where climate and the way of life continue to appeal*

M[redacted] Britons [redacted] moved permanently [redacted] Italy, France and [redacted] bought holiday homes, and [redacted] more would if they could.

■ ITALY

Tuscany has long [redacted] magnet [redacted] Britons, [redacted] round [redacted] and up [redacted] Florence. But [redacted] Emmett, of [redacted] Brian A. French, [redacted] prices rose so much late in the 1980s that poten[redacted] buyers moved to Umbria (equally glorious country), where they [redacted] pushed up prices.

The [redacted] stage [redacted] on [redacted] coast, [redacted] to [redacted] in summer by Pescara, Ancona [redacted] Rimini airports but [redacted] only [redacted] Bologna in winter.

[redacted] buyers [redacted] "less adventurous". All [redacted] near Siena, [redacted] if [redacted] means two [redacted] and [redacted] kitchen.

[redacted] is no [redacted] in north Tuscany above Lucca – surely an excellent reason for looking there – but plenty in all ranges in Umbria and for cheaper houses in the Marche.

People also ask for the Ligurian Riviera and, occasionally, for Bologna itself (the traditional food capital of Italy).

Suddenly, too, the island of Elba is in demand from both Italians and foreigners, who must take the ferry from Piombino. [redacted] £200,000 to £400,000 range are often wealthy British people who bought in the 1950s and [redacted]

French has several farmhouses on [redacted] in [redacted] and, for L566.5m, an unusual flat in the fort of Portoferraio with terrace views over the town.

On the mainland, there are apartments in newly restored Tuscan farmhouses between L180m [redacted] L450m, while [redacted] farm [redacted] Lake Trasimene in Umbria is just L96m, although it [redacted] work.

[redacted] pink, [redacted] century villa at Citta della Pieve for £700,000 (having been [redacted] £1m). The agent, Simply Italy, specialises in north Tuscany and the Marche, with a wide selection of farmhouses and cottages (and some townhouses).

Water can be [redacted] problem in many regions, [redacted]. If so, factor it into your [redacted]. If [redacted] successful, you could have to dig [redacted] well [redacted] install [redacted] tank to fill from lorries.

☐ *Information (all numbers London unless stated otherwise): Brian A. French, [redacted] 0114; [redacted] Italy, 081-891 5277.*

■ [redacted]

Pyrenees Orientales offers best value [redacted] Spanish [redacted] of [redacted] French Mediterranean coast, [redacted] Sarah [redacted] (which [redacted] a selection).

And now [redacted] the time.

The area is popular with Parisians, who buy for retirement and like the skiing as well as the sea. The [redacted] property market [redacted] improving, which will pull up local prices in 1995.

A sensible offer now could let you pay 10 per cent below the asking price – some recompense for the decline in the pound/franc rate since September 1992.

Small village houses start at FFr300,000, while small villas cost around FFr500,000-FFr800,000 and larger ones with pools around FFr1.2m.

Towards Italy, though, the vendors are usually very rich and can afford to wait for the price they want. "The Cote d'Azur is always expensive," warns Hilary Katz of Azur International, which has Cannes luxury flats at FFr5.1m and FFr2.6m.

Agent G.A.K. Williamson, meanwhile, [redacted] apartments in new [redacted] era developments from FFr365,000 [redacted] (for a penthouse by [redacted] Anglais in Nice).

[redacted] FFr33m, Knight [redacted] ley or John Taylor offer the Villa Le Cottage [redacted] point [redacted] Cap Ferrat; it looks similar [redacted] "cottages" [redacted] Newport, [redacted].

[redacted] properties inland [redacted] (Hamptons); [redacted] for FFr2.75m (KFR [redacted] Hugo Skillington); [redacted] for [redacted] (KFR [redacted] Duval).

☐ *Azur International, [redacted] 01 [redacted] Duval, [redacted] (33-90 65 [redacted]; Hamptons, [redacted]; Knight [redacted] 8171; Sifex, [redacted] lington, [redacted] 43 [redacted]; John Taylor, [redacted] 70); G.A.K. [redacted], Alresford, Hampshire (0962-734 [redacted]*

■ [redacted]

[redacted] the vendor [redacted] inserted a clause by which the buyer [redacted] responsible for all [redacted] pertaining [redacted] property. While such [redacted] clause is not illegal, you do not want it.

Barry Randal-Williams, Hamptons' associate in the jet-set resort of Marbella, says the property market in the area has recovered remarkably, with twice as much business as elsewhere.

Why? Because Jesus Gil y Gil, the dynamic mayor, has cleaned up the town's fast-fading image.

As a result, almost all the houses that had been on the market for several years have sold in the past 12 months and stock is now short. For the first time in four years, building is racing ahead.

When the new houses are ready, probably by this time next year, Randal-Williams thinks prices may rise. Meanwhile, house-hunters – including many British and Germans – are [redacted] look inland.

Hamptons [redacted] gone [redacted] partnership with a firm in the ancient town of Ronda (which [redacted] country's oldest bull ring) to offer properties ranging from a large hunting [redacted] dilapidated mill at [redacted]. All [redacted] work.

[redacted] Loja, Hamptons [redacted] selling Jardines [redacted] Narvaez, an [redacted] house with an important listed garden, for Pta235m. The same agent has a farm with 15 acres in the hills behind the Puente Romano development near Marbella. Price: £975,000.

Near San Pedro, KFR offers Bosque de Mirlos, a 20-year-old villa, for £1.25m; while a 2,100-acre sporting estate in the oak forests of Andalucia costs £3m. It has partridge, rabbit, duck, deer, boar and mouflon, as well [redacted] fishing.

☐ *Information: Puente Romano, [redacted] 8696; Hamptons and KFR, see France; B. Randal-Williams, Marbella [redacted]*



Garden design

# Planning for perfection

***Bridget Bloom** peruses the latest crop of books dedicated to making your horticultural efforts look better*

To plan or not to plan? [redacted] you mark, [redacted] sure and draw [redacted] – almost certainly on graph paper and to scale – the garden of your dreams? Or do you trust to your eye and your spade and then dig, more or less as the spirit moves you?

Having succumbed to the latter form of garden "design" in an acre of rough grass a decade ago, I now adhere firmly to the planning school. If I had not [redacted] so impatient [redacted] impulsive (I tell myself), I might now have a nicely composed and characterful garden, with weed-free [redacted] borders.

Certainly, careful garden planning is now in fashion and anyone starting – or altering – a garden can find in the bookshops a clutch of volumes to set them off on a proper path. What has come my way to review this summer are a fraction of those available, but they are a good start.

Top of the list is *The Well Planned Garden*, by Rupert Colby (Conran Octopus, [redacted] the [redacted] in [redacted] collection [redacted] nicely produced [redacted] from the Royal Horticultural Society on different [redacted] of gardening.

"Planning a garden is in [redacted] respects like designing [redacted] interior of a house – involving both structural divisions and decorations," Colby [redacted] "but [redacted] one impor[redacted] many of [redacted] components in the garden are of living material which may not only increase in size but [redacted] undergo a change [redacted] character [redacted] they [redacted].

"To allow for this, [redacted] planned garden must have certain [redacted] into [redacted] concept, with longer term plans as well as immediate solutions."

That [redacted] good [redacted] of the problem but, [redacted] mind, [redacted] far enough. It seems incomparably more difficult [redacted] design [redacted] garden than to [redacted] furnish [redacted]

[redacted] rooms of a [redacted] and ceilings as [redacted] framework for furniture or colour [redacted] change [redacted] little [redacted] the [redacted] choose [redacted] there until you [redacted] to change them.

In [redacted] garden, not only does what you plant grow and die but it changes all the time. Crucially, too, a garden has only the sky [redacted] the top and, often, only [redacted] "boundaries". I reckon [redacted] can [redacted], but to [redacted] a garden looking good [redacted] round is a real work of art.

Colby's work will not pro[redacted] a work [redacted] but, well illustrated [redacted] clearly, [redacted] is designed to take [redacted] beginner step by step through the practical business of designing [redacted] garden.

John Patrick, author [redacted] *Designing [redacted] Garden* (Anaya, £14.99), does much the [redacted] thing although his [redacted] – confined to the urban or [redacted] suburban garden – [redacted] more limited. Designing such [redacted] garden is certainly less demanding, for its [redacted] are [redacted] closely.

*[redacted] Gardening Book* (Dorling Kindersley, [redacted] is [redacted] handsome [redacted] version [redacted] a [redacted] by Graham Rose, in [redacted] with [redacted] National Trust, in [redacted] many [redacted] areas as Colby but from an historical – particularly Victorian – perspective.

[redacted] in which [redacted] browse, [redacted] many [redacted] including delightful drawings [redacted] and garden [redacted]tures, from rhubarb and [redacted] kale forcers and handlights for seedlings to a dozen varieties [redacted] of spouting fountain heads, urns and [redacted] will [redacted] greatly [redacted] in plan, but will certainly aid the furnishing.

A wild garden, [redacted] might think, [redacted] quintessentially unplanned, an antidote to Vic[redacted] order. [redacted] according [redacted] the experts. *[redacted] Flower [redacted]* [redacted] Kingsbury and part [redacted] RHS series [redacted] above (Conran Octopus, £15.99).

Kingsbury explains [redacted] you [redacted] just leave a [redacted] and expect [redacted] sprout into a meadow. Much work [redacted] required, [redacted] in the early [redacted] much care [redacted] the right [redacted] meadow for your soil and situation.

Still on the general design front is something rather different. *A Handbook for Garden Designers* (Ward Lock, £18.99) [redacted] exactly what it [redacted] Written by Rosemary Alexander, the principal [redacted] English Gardening School [redacted] Chelsea Physic Gardens in London, with Karen Batstone, [redacted] would be [redacted] too detailed and probably too technical [redacted] most [redacted] but no doubt invaluable for anyone studying the subject

Water, virtually all garden designers seem to agree, is [redacted] essential element of the well [redacted] garden. According to Sue Fisher, author of *The Complete Book of Water Gardens* (BBC Books, £9.99), water is "the single most attractive feature that can be added to any garden".

After an introductory chapter of do's and don'ts, Fisher examines 10 DIY water projects, from a wildlife pond to a basic fountain, concluding with chapters on planting and problems of cleaning and main[redacted] clearly, this is [redacted] book [redacted] beginners.

A similar, if rather more lavish, volume [redacted] *Gardens*, by Jacqueline Heriteau and [redacted] Thomas. Published [redacted] American market by Houghton Mifflin of [redacted] York and Boston [redacted] book which will not be of great use to north European gardeners – [redacted] not being among their [redacted] predators of garden-pond fish, [redacted] example. But there is much that would help, including a splendid, long and well ill[redacted] chapter [redacted] lilies.

[redacted] rather more sophisti[redacted] planners, *Waterside Planting*, by Phillip Swindells (Ward Lock, [redacted] to [redacted] recommended. His initial chapter describes the construction of bog – rather than [redacted] – [redacted]dens but the bulk of the book is [redacted] compendium of moisture loving plants [redacted]uding [redacted] their propagation and their predators.

[redacted] books to aid the painterly aspect [redacted] garden design. *Colour Your Garden*, by Mary Keen (Conran Octopus [redacted] recently published paperback version [redacted] a [redacted] hardback.

It is [redacted] splendid guide [redacted] which colour plants to put [redacted] with a painter's eye [redacted] changes wrought by the seasons. Hear Keen [redacted] yellow: "Blue [redacted] always [redacted] relied [redacted] to produce [redacted] feeling [redacted] well-being but it is rarely disagreeable in a garden setting.

"Yellow can be [redacted] The [redacted] for this [redacted] changing quality of [redacted] in the garden which [redacted] yellow more than any other colour.

"Under the watery suns of spring, yellows [redacted] clear and fresh, but bright summer sunlight turns all the gold to brass . . . then, later in the year as the light loses its brilliance, yellow becomes acceptable again and the muted sunlight of autumn afternoons mellows golden leaves or flowers."

Well-illustrated, Keen offers planting plans in various col[redacted] modes and [redacted] directory listing plants in [redacted] our [redacted] (An additional advantage [redacted] that, unlike many [redacted] reviewed [redacted] or in publishers' lists, [redacted] generally tell you in which garden [redacted] photographs [redacted] taken).

The next book is the only [redacted] I [redacted] seen dedicated [redacted] variegated plants: it covers a wide range of perennials, tender plants, [redacted] and [redacted]nuals, and [redacted] and shrubs. *Variegated [redacted]* is by Susan Conder, with handsome photographs by Andrew Lawson (Cassell, £20). While the best part of the book is an illustrated plant directory, there is a good introductory chapter on using variegated plants through the seasons.

Less useful, to my mind, is a book on *Clematis and the Ranunculaceae*, by Deborah Kellaway (£14.99, Pavilion). Buttercup, winter aconite, meadow rue [redacted] clematis may all be from the same family but, from a gardener's point [redacted] view, it is not terribly helpful [redacted] them [redacted] in one volume.

[redacted] may find Nigel Colborn's *Annuals and Bedding Plants* (Conran Octopus, £12.99) fascinating. Perhaps bedding schemes will come back [redacted] but; for [redacted] they spell municipal gardening.

As all these [redacted] show, there is no dearth of advice for the would-be garden designer. The danger, of course, is that you can get so carried away by reading and planning that you never get started in the garden itself.

Planning is certainly important – but so, too, is impulse.

PERSPECTIVES

# Russia discovers the rape victim

***Lori Cidylo** looks at a growing, and surprisingly frank, public debate on what has long been a hidden crime*

When Kira, a 17-year-old university student, was raped by a neighbour in a rural village on the outskirts of Moscow, she agonised for months over whether she should tell her parents. Terrified and ashamed, the young woman, who had become pregnant as a result of the attack, decided to keep the knowledge to herself.

But rumours of the incident spread through the small village. One night, a young man beat her mercilessly, calling her a "tramp". When Kira staggered through the door that evening, her father informed her that he "could not live in the same house with a whore", and cast her out. Her mother added: "You have shamed *us*."

A graphic account of Kira's rape, which appeared in the popular daily *Komsomolskaya Pravda* – the first article on rape the newspaper has published – created shock waves in a country still reluctant to address crimes of violence against women.

"The most important thing I want to say is that what happened is *not your fault*," Natasha Gaidarenko, a psychologist who has become a pioneer in rape crisis counselling, wrote in the same issue. "Even if a woman flirts with a man… even if she lets him kiss her, it does not mean she has consented to what followed… In *every case*, responsibility *always* lies with the rapist… you are in no way responsible for the horrible things that happened to you."

That is a revolutionary notion in Russia, where many people still subscribe to the myth that rape is a crime of passion and that women "provoke" rapists by dressing or behaving seductively.

Under glasnost many explosive issues burst on to the printed page. But rape remained outside the selective sieve used by the communists to filter out unpleasant realities.

Many Russians still believe that rape occurs rarely, if at all, in their country, although experts say the crime is endemic. "Russia is an incredibly rape-prone society because of the high level of alcoholism and the low status of women," says Martina Vandenberg, who has counselled rape victims in Britain and the US. Aleksei Ignatov, a lawyer who specialises in sexual assault, says the number of rapes reported each year – 13,600 in 1992 – represents about one-tenth the total actually committed.

But there are signs that ideas about rape are beginning to change. Once regarded as a bourgeois crime that afflicted only the decadent west, rape has suddenly become the focus of an unusually frank debate.

After Kira's story was published, Gaidarenko said she received more than 900 letters from women around the country who said that they, too, had been raped. Most had suffered alone, in silence, sometimes for decades. The few who dared to tell someone, usually a mother or a close friend, were often ostracised. Many wrote that they felt deeply ashamed and suffered from depression, insomnia and feelings of helplessness. Some said they had attempted suicide.

"When a woman is raped, she is afraid to go to the police and she is afraid of being judged by her family. Everyone turns away from her. She has nowhere to go," says Galina Chentsova, a psychiatrist in St Petersburg.

But Gaidarenko, who heads the Moscow Sexual Assault Recovery Centre, Russia's first rape crisis centre, is hoping to change all that. At the centre, which opened in April, women receive counselling and medical care from psychologists and doctors who are sensitive to the special needs of rape victims.

Most of the women feel isolated because they are unaware of how prevalent rape is, Gaidarenko says. "When we first bring a group of women together, each one thinks that this is her own unique experience. When they discover that they have all been through the same thing, they are in a state of shock. They wonder, 'Can it be true that this pain is not mine alone?' Then they start to talk about it and the healing process begins."

Rape counsellors say it is crucial that those dealing with the victim, such as police and doctors, understand her feelings of powerlessness and tendency to blame herself and not compound those feelings.

But women who report that they were raped are often regarded by police with hostility, scepticism, salaciousness, and even mockery. One woman, whose boss forced her to perform fellatio, says that when she reported the incident, the police laughed at her and told her that she had not been raped. Doctors, too, are often insensitive and may adopt an accusatory tone. One 15-year-old victim recalls being asked: "Did he take your pants off or did you take them off yourself?"

Lola Karim, a gynaecologist who works at the centre, said: "We tried to open the centre in a hospital, but all of the doctors we spoke to refused. They said, 'But women bring it on themselves.' They felt that this was not an important issue and that we were just a bunch of hysterical women."

Karim says that hospital personnel often turn victims away. "They tell her to go to the police and file a report first, even if she is injured and needs care." The few hospitals which can do an evidentiary exam, a necessity if the victim decides to prosecute, require a pass which only the police can issue. But police often refuse to issue the pass because they do not believe the victim or because they have been bribed by the rapist.

Although Gaidarenko estimates that 70 per cent of women who are raped are raped by men they know, in Russia, acquaintance rape is largely ignored or denied. Women who are raped by men they trust, and often like, such as co-workers, friends or dates, often wonder whether they have "really" been raped.

Larissa Korneva, a psychologist at the Centre for Gender Studies in St Petersburg, says she questioned the validity of her perceptions even as she was struggling with a fellow student who tried to rape her on a beach. The two had spent the day picnicking and swimming with friends and, she recalls, she had felt attracted to him.

Some American researchers believe that acquaintance rape is facilitated by a socialisation process which encourages sexually aggressive behaviour in men.

In a three-year study by psychologist Mary Koss, 53 per cent of US college men admitted to kissing a woman against her will, 60 per cent admitted to touching a woman's breast against her wishes, 37 per cent said they had touched a woman's genitals without consent and 15 per cent admitted to attempting or committing at least one rape. The most striking finding was that 84 per cent of the men who had committed rape said that what they had done was *definitely* not rape.

Although no comparable study has been done in Russia, many Russian experts agree that socialisation plays a primary role in cases of acquaintance rape. "The cultural message given to Russian boys is 'take, don't ask'," while women are trained to submit, Korneva says.

Olga Zayarnaya, a psychologist in Ekaterinburg who has counselled rapists as well as victims, says men often deceive themselves into thinking that acceptance of some type of sexual foreplay, such as kissing, means a woman is willing to have sex. Such men, she says, "honestly do not believe that they have raped anyone".

Sasha, a 29-year-old translator, is a typical example of such a man. Although Sasha admits that he sometimes uses "forceful persuasion" with women who are reluctant to have intercourse, he does not consider himself a rapist.

While acquaintance rape is a serious and under-reported problem, some researchers believe that marital rape may be the most prevalent type of sexual assault because of prevailing social attitudes. When Marina Baskaova, a sociologist at the Moscow Centre for Gender Studies, attempted to study the issue, she discovered that her respondents "didn't understand the question. It never occurred to them that a husband could rape his own wife."

Zayarnaya, who divorced her husband after he tried to rape her, recalls the reaction of her friends. "They said, 'so what? That's normal. He is your husband. He doesn't do it every day. So he lost control once. What's the big deal?'"

Rape counsellors agree that perceptions about rape are unlikely to change until attitudes towards the role of women change. "Women must be equal partners, not servants who clean the house and fulfil their husband's sexual needs," says Karim. "Men – and women – must understand that every woman has the right to decide, 'do I want to be intimate or not?' and that no one has the right to invade her body and violate her soul."

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As They Say in Europe/**James Morgan**

# Environmentally unsound news

A French holiday has revealed a flaw in this column. It is based on reading newspapers in an environment for which they were not designed: a bit like drinking Swiss wine in Swindon. This problem may seem obvious to a non-journalist, but those in the trade would not laugh at those reading *Sud-Ouest* in London rather than the Lot.

Over the past three weeks it emerged that *Le Figaro* makes far more sense over a dish of *saucisse-frites*, at a lay-by on the RN20 outside Châteauroux, than it ever did on the 8.20am into Waterloo. There are its marvellous weather reports. There is news of the rich pickings to be found in new discoveries about the work of the poet Arthur Rimbaud.

At such times the actual opinions of the newspaper in question are irrelevant. The views of *Sud-Ouest* on Bosnia seem neither notably exotic nor especially banal over a *kir* on the *terrasse* of one's *gîte*.

It is one's own newspapers that suddenly seem odd or absurd. The *Daily Mail* stood out on the newsstand with a lead story about a French air traffic controllers' strike. An excited headline writer, dipping deep into his treasure chest of original thought, shrieked: "Britons in holiday flight misery."

One wonders what is most unattractive about this summary: is it the concentration on one insular aspect of the affair, the use of the word "Britons," or the overtones of paranoia and chauvinism in the suggestion that it was all a foreign plot aimed at the island race? It aroused the feeling you get when catching sight of drunken fellow-countrymen in the corner of some foreign bar that is forever England.

In France the papers seemed, by comparison, phlegmatic and reasonable. Perhaps it was just because it was August and everyone was away, but even the provocation of a commentary in the American magazine *Forbes* advising its readers, composed exclusively of rich businessmen, to pull their money out of France aroused little passion in the newspapers. (It did cause a bit of a stir in financial circles, though.)

One of the writers of the column was Steve Hahnke, an American academic, the other Sir Alan Walters, economic adviser to Margaret Thatcher when she was prime minister. He continually upset Nigel Lawson, then chancellor, around the turn of the decade. Lawson believed his position was being undermined by the advice given by Sir Alan. In a typically British solution, both resigned.

The issue was the European exchange rate mechanism, which Sir Alan deplored. He said Britain should have no truck with it. He is now attacking the French for sticking to an overvalued exchange rate against the D-Mark even though the ERM itself has been shattered.

In his column in *Forbes* he told the French government it was "too clever by half" – just one more reason to avoid investing in the country. The others were a rigid labour market, slow growth, which allegedly made official forecasts a joke, and corruption.

Whether by accident or design, *Le Monde* juxtaposed its report of the attack with a long piece on the marvellous performance of French exports as reflected in the latest trade figures. Many innocents might conclude that if France suffers any economic problems an overvalued currency is not one of them. Britain's pound has fallen in line with Sir Alan's recommendations and yet delivers endless large trade deficits and inadequate investment.

A business daily, *La Tribune*, seemed to find the attack a bit of a joke. "The impression grows: we upset our American friends." It then referred to a *Newsweek* report on "France's faded glory" last May and the *Wall Street Journal's* scarifying account of domestic corruption. "In brief it seems our beautiful country is at the edge of suffocation and American pension funds would do better to go and have a look elsewhere… In Balladurian France, where courtesy reigns, we have lost the habit of those lively anti-government criticisms which flourished when the Socialists were in charge."

It then argued that American attacks were acceptable when they concerned "socialist-communist power" but were out of place when targeted at a "free market power practising a rather orthodox monetary policy and showing considerable calm in the face of social malaise." It is nice to think of the *Forbes*' columnists as a pair of lefties, unwilling to support a government that puts anti-inflationary orthodoxy at the top of the economic agenda.

Misunderstandings abound, cross-border dialogue seems impossible, yet it all goes down very well after a light lunch of *confit de canard*, *cassoulet* and a bottle of *rosé*. But the implications are frightful: does it mean that one has to go to Frankfurt to appreciate its *Allgemeine Zeitung?*

■ *James Morgan is economics correspondent of BBC World Service.*

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# Baby boomers and the counter-culture

*A Grateful Dead concert took **Barry D Wood's** thoughts back to Woodstock. He asks why the optimism vanished*

Glenn and Ira Goldfarb were not yet five when I attended my first Grateful Dead concert in Berkeley 24 years ago. Typical of new generation Dead-heads, the Goldfarb brothers go to several of the band's concerts each year. Months ago they identified two nights in Washington as the time to escape from wives and children and commune with a past they have romanticised but never experienced.

The brothers ordered concert tickets. When we met, Glenn and Ira were already in the *de rigueur* brightly coloured tie-dyed T-shirts that hark back to psychedelic Haight Ashbury, where the Grateful Dead were already a legend by the late 1960s. Few would have guessed the Glenn is a chef and Ira a tax accountant.

On a hot summer night, Jerry Garcia, Grateful Dead vocalist, guitarist and song writer, wore purple shorts and T-shirt. He arrived back stage in a golf cart, overweight, tired and looking older than his 51 years. His frizzy hair is white. There were deep creases behind his dark glasses, a legacy of too much hard living.

The band began to play. Any lingering reservations about whether I wanted to be there disappeared.

The tilting country rock melodies invited movement and response. When Garcia sang cheers welled up from the crowd of 60,000. "Come hear Uncle John's band, down by the river side, he's come to take his children home."

The voice still projects the sweet, mournful high notes. It was like the old days and remained so for two hours through a gentle rain willingly endured by the young and not so young alike. Pipes were passed. The pungent aroma of marijuana was pervasive. People swayed to the music.

Beautiful girls with long hair and flowing skirts danced in the stadium corridors and sidelines just as their mothers may have done. I realised that I am like the Goldfarbs, reaching out to connect with something authentic that has been lost.

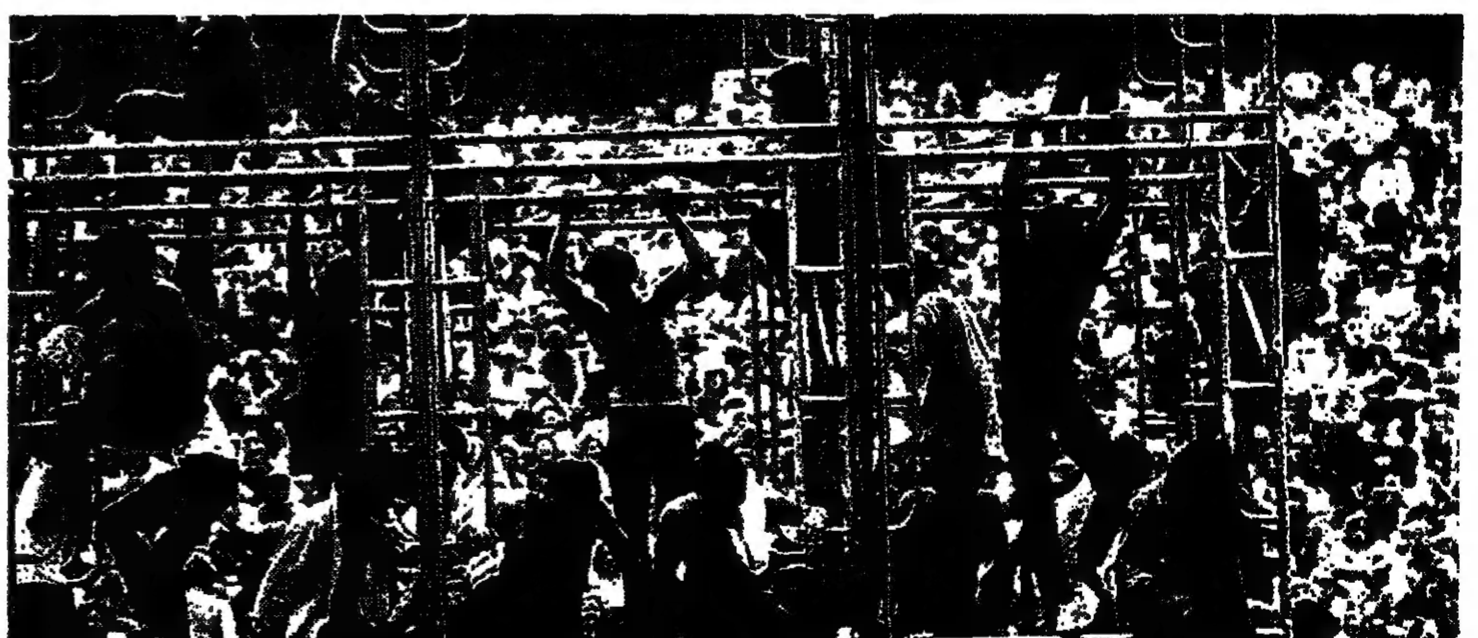
Garcia called the Grateful Dead performance at the original Woodstock in 1969 miserable. That is one reason these Bohemian troubadours were not invited back for the 25th anniversary extravaganza Woodstock 94: "Two More Days of Peace and Music." But they would not have gone anyway. "You can't put lightning in a bottle twice," said Dennis McNally, a PhD in American history and long-time Grateful Dead publicist.

The year 1969 stands out for two reasons: the landing on the moon and Woodstock. The vision, ingenuity and tenacity that culminated in Apollo 11 have turned into indifference and cynicism towards space exploration. Moonwalker Buzz Aldrin said on the 25th anniversary that "an eerie apathy now seems to inflict the very generation who witnessed and were inspired by" the moon landing. But "for one crowning moment," said Aldrin, "we were creatures of the cosmic ocean, a moment that 1,000 years hence may be seen as the signature of our century."

They are words that might have been uttered at Woodstock. It was billed the Woodstock Art and Music Festival. The promoters optimistically dreamt that 200,000 might attend. Twice that many appeared. Woodstock became a defining moment, a generational conclave of music lovers, hippies and war protesters. Few paid the $18 price of admission.

Now, 25 years later, the successors of the people Joni Mitchell called the "children of God", have paid $135 (£87) to attend the bigger of two planned rival Woodstock anniversary concerts. The smaller event was cancelled earlier this month after poor ticket sales.

At the remaining event, the one that may have cost $100m, there is an inter-active video theme park. Tickets were delivered by overnight express to prevent counterfeiting. The event had big-company sponsors. There are licensed T-shirts and logos. The music is available on pay-per-view cable television.



Children of God: they gatecrashed the original Woodstock, now they are paying $135 for the sequel Elliott Landy

The cancelled event, which would have been held 50 miles away in Bethel, New York, had attracted fewer of the original performers, would have cost only $95, and was to have taken place on the authentic sacred ground.

What used to be called the counter-culture has triumphed. Baby boomers live in the White House. And yet the problems that that brash, over-confident youth hoped to overcome have become more intractable and pervasive. Only on the environment is there discernible progress. Smokers and polluters are on the defensive. The concept that planet earth is something to be protected is standard liturgy for school children everywhere.

While America is no longer polarised by Vietnam, civil rights, or capitalism, the social contract is more frayed than ever. The optimism, joy and vision of 1969 have vanished.

The American radicals of the late 1960s looked to rock music for salvation. It was as if Grace Slick and street-fighting Mick Jagger would lead an assault on the capital. These implausible heroes are as embarrassing from the perspective of 1994 as Che Guevara or Ho Chi Minh.

The Grateful Dead survive and prosper 25 years later at least in part because they resisted the temptation to be more than a band.

SPORT / MOTORING

Baseball

# Struck out on the field of dreams

*Patrick Harverson says a players' strike is ludicrous and should be banned*

The Lexington Avenue express is not the only means of getting to Yankee Stadium, but it is by far the most satisfying. The subway train rumbles through Harlem and under the Bronx River to emerge blinking into the sunlight alongside the great ballpark. As the train pulls into the 161st Street station, the appetite is whetted by a tantalising glimpse between the stands of the lush grass in rightfield.

As I stepped off the train last week, I experienced the familiar rush of excitement as thousands of other baseball fans walked up River Avenue to join the long lines at the ticket booths. The division-leading Yankees, who this season have been playing their best baseball in 13 years, were at home to the Cleveland Indians, and Yankee Stadium seemed the perfect place to be in New York on a warm Saturday afternoon in mid-summer.

At $11.50 a seat, watching the Yankees is not cheap, but for that you get an upper deck seat in the sun, three or more hours of major league baseball, and a big, lovely slice of history.

Yankee Stadium is not just any old sports ground. It is known as "The House that Ruth Built", after the great Babe Ruth, whose exploits attracted the huge crowds which ultimately paid for the stadium's construction. When it opened in 1923, Yankee Stadium was the wonder of the sports world, with its imposing entrance and spectacular two-tier stands. It remains so today, even after a mid-1970s face-lift that changed much of the way it looks but which, thankfully, left history intact.

The seats high in the upper deck afforded a splendid view. As the Yankee players jogged out for the opening inning against Cleveland, the bright white of their uniforms sparkled against the green of the outfield and the brown earth of the diamond-shaped basepaths. While the outfielders languidly tossed balls around as they awaited the arrival of the Indians' first batter, I bought a hot dog from one of the vendors who roam the stands shouting "Dawgs – Who Wants Dawgs?" in mustard-thick accents.

Yet my enjoyment of the game was marred by the certain knowledge that the Yankees' great run of 1994 was heading for a premature end. This was not because I had had some premonition that the team was going to stop playing the smart, unfussy baseball that had taken it to the top of the table, but because I knew the team was going to stop playing, full stop.

Just days before the Cleveland game, the players' union had announced plans for an indefinite strike, starting on August 12, to protest against the baseball owners insistence on including in the new labour contract a salary cap – a limit on the total amount each team can pay its players.

The owners, who have been unable to agree among themselves on how to divide baseball's revenues so that the clubs in smaller cities such as Milwaukee, Pittsburgh and San Diego are not forced into extinction trying to compete with the wealthy, big-spending clubs in cities such as New York, Chicago, and Los Angeles, view the salary cap as a way of controlling their rapidly-escalating costs. The players regard the cap as an infringement of the free market and oppose pay limits.

Yesterday, the union made good on its threat, and the 1994 season – so far a marvellous one, full of promise, not just for the Yankees but for other teams, and for several players who are poised to break some of baseball's oldest records – came to an inglorious halt.

The strike is maddening. Irrespective of the merits, or otherwise, of the players' actions, there is something ludicrous about millionaire sportsmen striking against multi-millionaire owners in an argument over money.

As anyone who watches a game or reads the sports pages knows, there is plenty of money in baseball. The average salary for a player is $1.2m (£770,000) a year. Revenues from attendance, television contracts and merchandising total almost $2bn a year. And the 28 teams of Major League Baseball are estimated to be worth a combined $2.5bn. With that much money swilling around, it is remarkable that a way cannot be found to share the bounty of America's national game.

Not only is the strike ludicrous, but there should be a law against it. Indeed, were it any other US sport there would be: earlier this summer, baseball managed to fight off an attempt in Congress to overturn its precious, and unique, exemption from anti-trust laws. Both the owners and the players have overlooked something important in their dispute: the fans. It is they, after all, who pay everyone's wages.

This may be a cliché, but it is true. The players are not paid millions of dollars because a home run, a strike, or a great catch are of themselves valuable commodities. Gold, oil, copper – these are valuable commodities. A home run is valuable because people are willing to pay to see it happen, either in the flesh or on television. If people were not willing to pay to watch big league baseball, players could hit all the home runs they wanted but would still never earn a cent.

Everyone in the business of baseball is party to a three-sided contract between the players, the owners, and the fans. The players have broken that contract. The owners are equally culpable for having made such a hash of their own affairs. The fans should sue.

If they do not sue (and this being America, someone probably will), fans will be left to do what they spend much of the year doing anyway – moaning about the greedy players and greedier owners. A few were energised enough this week to plan a fans' strike, but little came of it. Why? Because fans – the poor pathetic things they are – love baseball, even if baseball does not love them. Thursday was the last chance to see a game before the shutters came down, and hundreds of thousands paid to do just that.

Now the baseball bats are silent. Yankee Stadium should have been alive this Saturday with the sound of 40,000 fans cheering on their team against the world champions from Toronto. Instead, the great ballpark will be deserted. And the Lexington express from Manhattan will rumble past almost empty. All that will be on offer at Yankee Stadium is that inviting glimpse of the lush, green grass in rightfield.

Cricket/Teresa McLean

# Blame the weather

Returning from an almost tropical holiday in France, I was not surprised to find everyone in England talking about the hot and humid weather. Especially cricket lovers, since cricket and weather are inseparable and should the cricket fail, the hot weather is an inexhaustible culprit. Should the cricket flourish, hot weather is almost too glorious for words.

Almost, but not quite. On June 16 1932, White Willow of the *Daily Telegraph* reported the game between Essex and Yorkshire at Leyton in majestic style, starting with the weather. "Under the flaming skies of Leyton yesterday Yorkshire's opening batsmen, Holmes and Sutcliffe, were kings of the match from morn till evening, the Essex bowlers and fieldsmen being their abject slaves in a bondage that is not yet ended."

In the first day's sunshine Percy Holmes and Herbert Sutcliffe scored 423 runs. Before lunch on the second day they had scored 555, a world-record first-wicket partnership, whereupon Sutcliffe got himself out. Yorkshire declared at 555 for 1 and "as Holmes and Sutcliffe stood in front of the score-board waiting to be photographed, the figures were altered to 554!"

Spectators, telegrams and messages of protest quickly accumulated, the scorers managed to find an overlooked no-ball and the record was confirmed.

This summer, with glory more elusive in English cricket, the heat was assigned a grimmer role. Scores on the first day of the Hampshire v Gloucestershire match at Portsmouth were in a lower league: Hampshire 192 all out; Gloucestershire 58 for 5. The *Daily Telegraph* began its report on July 15 in angry style: "When 15 wickets fall in a day, it is probably safe to say that the two sides involved are not playing on a shirt front. For a four-day match, this pitch is clearly too dry, having had 15 days with no water whatsoever, either from the heavens or from the groundsmen, sprinkled on it."

Groundsmen, like the turf they tend, find hot weather troublesome. They can always be held responsible for problems it produces on the field of play. Little interference with nature is often seen as wilful neglect, as at Portsmouth or at Edgbaston on May 25. There was no play between Warwickshire and Kent in the Benson and Hedges Cup because the ground was too wet. The cover-all Brumbrella had not been used in case it encouraged a fungal infection that was damaging the grass. Kent lost the "bowl-out" that replaced the game. They were not amused.

On the other hand, interference with nature is often condemned as excessive. Steve Wright, Leicestershire's assistant groundsman, drenched, rolled, then kept dry the wicket at Grace Road ready for his county's game against South Africa on July 30. The wicket was fast and the tourists' captain Kepler Wessels was hit on his painful right arm by a shooter. The tourists' pacemen were on the brink of finishing off Leicestershire's batting when a downpour ended play before tea on the last day. Wessels declared: "The pitch is sub-standard."

In July 1868 there was about an hour of abandoned play in the game between Surrey and Lancashire at the Oval described in match reports as "due to excessive heat". A helpful lady at the Oval said the only reference to weather on her information machine was the break in play in the England v Australia Oval Test a century later, when the crowd helped mop up the rain after a savage cloudburst. It left Derek Underwood enough time to bowl the Australians out and level the series. Not good summer weather, but useful cricketing weather.

"I've got nothing else to say about the weather," sighed the assistant contentedly, "except that everyone here is praying for rain."

At Trent Bridge they were unsure how to apportion the blame between God and rain when their Sunday game against Surrey on July 24 was "typhooned off". The teams carried on playing when heavy rain fell, but gave up when fierce lightning rent the sky. The crowd, I was told, went home wearing bin-liners, but not before one of them had counted 120 flashes of lightning in five minutes.

Storms always make good reading. At the start of June 1975, one official from the Derbyshire weather centre, unwilling to shut out any possibility, forecast: "Sunny periods, scattered showers, sleet or snow on mountains; winds northerly, fresh or strong." Wise man. At Buxton on the first day, Lancashire scored 477 for five declared. On the second day there was the worst summer snow in Britain since 1888. On the third day, play resumed in time for Derbyshire to be all out on a drying wicket, for 42 in the first innings, then 87 in the second and lose by an innings and 348 runs.

Derbyshire's secretary told me that the recent hot spell had not really effected them. They had only played at Derby when the heat-wave was gentle, so there was never any question of "sun stopped play" or "good light stopped play", which the Derby ground has suffered because its wicket faces east-west, into the evening sun. You never know with Derbyshire. Or the weather.

Looking for the scoreboard? Jesper Parnevik lost the Open because he did not know the score. That information is well hidden at the USPGA this weekend David Cannon

Golf/Derek Lawrenson

# You must know the score

They are usually the size of a juggernaut and they are everywhere you look at a major championship. Everywhere, that is, except where the modern player looks. "Scoreboard? What is a scoreboard?"

The one on the 18th hole at Southern Hills is particularly large but, because of a row of giant oaks, has been positioned in such a way as to make its contents unreadable to the players competing in this week's USPGA championship until they reach the final green. But what does it matter anyway when the top young players never seem to want to avail themselves of the wisdom a scoreboard offers?

Consider what has happened at the last two major championships. First, we reeled from Ernie Els's revelation that on the final hole at the US Open he was about to attempt a death or glory blow from the trees without knowing whether it was necessary or not.

Els was lucky. His caddy stopped him just before he was about to embark on his reckless course of action, pointing out that a birdie three was not necessary, the four would win him the tournament and a five would get him into a play-off. Els settled upon the latter figure, won the play-off and is now fêted wherever he goes instead of being ridiculed, as he surely would have been if left to his own devices. As he admitted, on a scale of one to 10, his chances of successfully completing the stroke were no more than one.

But that was as nothing compared to what happened at the Open. There Jesper Parnevik was not nearly so fortunate. He came to the 18th hole leading by no less than two strokes. Not that he knew. There might have been scoreboards everywhere but Parnevik kept the blinkers on.

With his approach shot he went for the flag which was cut just above a sharp incline, with anything falling short resulting in an almost certain bogey. Parnevik fell short. A shot to the "fat" of the green and two putts for a par four would have got him into a play-off even accounting for Nick Price's eagle three on the 17th. Parnevik took five. Only then did he look at the scoreboard. As Price's heroics were recorded, he looked in disbelief.

What is it about this generation of players that they purposefully deprive themselves of what seem to be vital pieces of knowledge?

Every journalist reports a tournament in the same way. Some might concentrate on the personalities of the leading scorers and others write about the golf. But everyone writes in some way about the leader, how he is doing in relation to par, and how the other players are faring. This is always in regard to how far they are behind the pace-setter.

There is hardly a young professional who approaches his round in this way. So they have shot 72 in the first round? They see that they are on level par. So the winning score in such-a-such a tournament is usually 12 under? That means they have to shoot three 68s in the rounds that remain, or variations on that theme.

They never consider themselves to be eight behind the player who has opened with a 64: they are 12 behind their final target. History tells them that the leader is going to endure a humbling last three days, so there is no point worrying about his or her score.

Eight times out of 10 this logic serves them well, but on the final holes of a major championship that theory is worthless.

"I don't think I could play the 18th hole of a major without knowing exactly what I needed to score to win," Greg Norman said this week.

Jack Nicklaus said: "I agree with the philosophy of not worrying about what anybody else is doing for the first 63 or so holes of a tournament. I never looked at a scoreboard either. But I always kept a close eye on the scoreboards over the closing holes because – and this depended on how I was doing of course – it would dictate how I played certain shots."

Arnold Palmer said that he always looked at scoreboards wherever they were on a course, whether it was the first hole or the 72nd. He just liked to see how everyone else was doing and whether he was playing as well or as badly as he thought.

One thing is abundantly clear: it is experience of playing a game at this level that teaches a golfer that scoreboards are not just things to keep spectators up to date with what is going on.

It was unfortunate for Parnevik to discover the hard way. But tomorrow evening the leader, after his drive on to the 18th fairway, will have to jog up to the green to discover exactly what is required.

FT expedition

# Golden triangle

*Arnie Wilson and Lucy Dicker are attempting to ski every day of 1994 on a round-the-world expedition. They are currently in South America.*

At 12,000ft up in the Andes, where the Incas once preserved the mummified remains of their nobility, we found a golden triangle of ski resorts glistening beneath the Chilean sun. Not long ago, the mummified body of an Inca child was found on the lower slope of El Plomo (17,810ft).

Today, this peak towers above the twin valleys in which three of South America's best ski resorts are found within a mile or so of each other: La Parva, Valle Nevado and El Colorado. Each is a significant ski area in its own right. Together, they form the biggest and most exciting ski area in South America, less than 40 miles from Santiago.

They are very different in style and terrain. La Parva, where the well-to-do of Santiago have second or even third homes, has some of the most challenging and varied skiing. It has no hotel, but one is planned.

Valle Nevado is an upmarket, expensive French-owned resort with excellent open-bowl skiing. The resort complex is built above the Valle del Cepo, a vast snowy ravine, which is not part of the ski area. Nevertheless, skiers occasionally stray into the valley by mistake, and the resort maintains a refuge stocked with basic rations to provide shelter until a third party can reach them.

El Colorado, arguably Chile's biggest ski area, mainly attracts day-trippers. It has some sublime off-piste skiing, with the steep powder-fields of Santa Teresita stretching more than two miles down to the road that snakes its way up to Valle Nevado. But you need to arrange transport back, and preferably a guide (ours was Orlando Diaz, head of the ski patrol).

Between them the three areas have more than 100km of skiing and more than 40 lifts. They are linked but as yet do not have a simple Three-Valleys-style lift ticket.

Although it is easy to ski from Valle Nevado – which attracts an international clientele – to each of the other two, direct access between La Parva and El Colorado is not so clear cut, partly because of rivalry: both are vying for local skiers from Santiago.

No other capital city in the world has so much skiing on its doorstep as Santiago. Not much further afield is Portillo right on the Argentine border and the Trans-Andean (Uspallata) pass which provides access via Mendoza to Las Lenas and some of the best skiing in Argentina.

**Arnie Wilson**



Motoring/Stuart Marshall

# A sporting treble from Honda

*The NSX is pure indulgence – a wonderful toy*

There is a scurrilous rumour, spread by young men whose favourite reading matter is go-faster motoring magazines, that all Honda cars leave the factory with an orange disabled parking sticker on the windscreen and a Zimmer frame in the boot.

This is as untrue as it is unfair. Of course, people with the wisdom that comes only with age do buy lots of Hondas. They know they are reliable, hold their value, and combine the refinement of the Jaguars and large Rovers they once drove with running costs a pensioner can afford. It would have been amusing to have had a member of the "Hondas are fit only for the well over-60s" brigade sitting beside me for the last three weeks.

I have been enjoying entertaining (though safe and responsible) motoring in a trio of Honda coupés. You might call them Honda's sporting treble.

First, the Civic Coupé. A cynic would dismiss this pretty, semi-sporting four-seater with a realistic boot as a sheep in wolf's clothing but that is to miss its point. A lot of people are buying cars mainly because they like their looks and can afford the price.

The Civic coupé looks as if it would be a high performer. In fact, it goes well, but no better than the Civic hatchback or saloon whose mechanical bits and pieces (1.5-litre, 16-valve engine and five-speed manual or four-speed automatic transmission) it shares. Power steering is standard.

Its suspension is reasonably taut and handling reactions agreeably quick. On some road surfaces there is a surfeit of tyre noise but this little coupé – made in Honda's US factory to traditional Japanese quality standards – is really quite urbane in character. One could use it for commuting or shopping in the week and head for the open road – should you be lucky enough to find one – at the weekend. It would perform either role just as capably.

The price is the pleasantest surprise of all; from £10,900 (manual) or £11,670 (automatic) and its fuel consumption up to 39mpg or 7.5 l/100km). Grandmas and women in their 20s alike fell for its charms while I had it on test.

Next, I moved on to the latest £21,445 Honda Prelude with a 2.2-litre V-TEC engine. V-TEC stands for variable valve timing and lift electronic control. What it does is to endow an engine with a benign form of schizophrenia. At low speeds it thinks it is a carthorse, at high speeds a racehorse. The result is that you can drive the Prelude at 30mph in 5th gear without a hint of protest. But floor the accelerator in second or third, see the rev counter needle flick past 5,000rpm, and the engine totally changes character. There is a musical rasp from the exhaust and the quiet, easy-going plodder becomes a sprinter.

Honda claims a top speed of 140mph/225kph and 0-60mph (0-96kph) acceleration in 7.1 seconds. In the real world of speed limits, it is the Prelude's other virtues that impress. For example, the unique electronic all-wheel steering. This makes it almost disconcertingly nimble in town traffic and takes the threat of tail-wag out of emergency manoeuvres on wet roads.

This beautifully built four-seater (children fit better in the back than adults) comes with air conditioning, anti-lock brakes, twin airbags and powered sunroof. It will do around 31mpg (9.1 l/100km) – providing the V-TEC engine is not in racehorse mode too often.

Finally, the NSX is a true supercar, in the same performance class as a Ferrari. It is made almost entirely from aluminium alloys – the technology is more aerospace than automotive – and the engine is a 270 horsepower V6 3-litre with V-TEC. I had driven it previously on the de-restricted German autobahn and on the banked high-speed circle at Millbrook proving ground in Bedfordshire. So I knew that the faster it went, the safer it felt and that Honda's claimed 160mph/257kph maximum was attainable.

But this time I used it in the real world of main roads with speed cameras and country lanes where a tractor and trailer or a child on a pony could be round the next corner. It is incredibly easy to drive, with quite a light clutch, precise gearshift, power steering with maximum assistance at low speed, diminishing as you go faster, anti-lock brakes and electronic traction control. I found the driving position perfect.

Just like the Prelude, it trickled down to my local supermarket in top, ran with suppressed eagerness in the motorway pack and drifted unprotestingly through the lanes of Kent and Sussex.

The ultra-squat and hugely grippy tyres thump a good deal and on concrete-paved motorways their roar half-drowns the radio. At an angled junction, visibility to the rear quarter is poor.

Driven like a normal car, the NSX will give about 26-27mpg (10.6 l/100km) on a journey. Looked at with a cold and logical eye, it is a pure indulgence. But what a wonderful toy. One final thought. If cars were watches, all Hondas would be chronometers.

# TELEVISION

## SATURDAY

### BBC1

7.25 News. 7.30 Felix the Cat. 7.45 Joe 90. 8.10 The Adventures of Skippy. 8.35 SWAT Kats. 9.00 Parallel 9.

**10.55** **Film: Barnaby and Me.** Family comedy. Sid Caesar and Juliet Mills star (TVM 1977).
**12.25** **Weather.**
**12.30** **Grandstand.** Introduced by Steve Rider. 12.35 Athletics: The penultimate day of the European Championships in Helsinki. 1.00 News. 1.05 Football. 1.15 Motor Racing: The final qualifying session for tomorrow's Hungarian Grand Prix. 1.25 Women's Golf: Coverage of the British Open from Woburn. 1.45 Equestrianism: British Open Championships action from Gatcombe Park. 1.55 Racing from Newbury: The 2.00 Manton St Hugh's Stakes. 2.05 Equestrianism. 2.55 Racing: The 3.00 Tripleprint Geoffrey Freer Stakes. 3.05 Women's Golf. 3.25 Racing: The 3.30 Harcros Timber and Building Supplies Stayers Championship Series Handicap. 3.35 Women's Golf 4.10 Athletics. 4.40 Final Score. 4.55 Athletics.
**5.30** **News.**
**5.40** **Regional News and Sport.**
**5.45** **Cartoons.**
**6.00** **Pets Win Prizes.** Rats, snails, birds and sheep compete in the offbeat game show.
**6.40** **A Word in Your Ear.** Kate Copstick, Gyles Brandreth, Sybil Ruscoe and Colin Baker compete in the verbal communication game.
**7.10** **Film: Return from Witch Mountain.** Disney fantasy adventure, starring Bette Davis and Christopher Lee (1978).
**8.40** **News and Sport; Weather.**
**9.00** **One Foot in the Grave.** Victor Meldrew stares disaster in the face when a conjuring trick goes horribly wrong. With Richard Wilson and Annette Crosbie.
**9.30** **Police Rescue.** Angel fears he may be turning out like his violent father after lashing out at new wife Helena in a fit of jealousy.
**10.20** **Film: Quigley Down Under.** Western adventure, starring Tom Selleck as a self-assured sharpshooter who goes to work for a tyrannical landowner in the Australian Outback (1990).
**12.15** **Flesh and Blood.** Second of a two-part documentary tracing the history of Hammer films.
**1.05** **Film: The Perfect Weapon.** Thriller, starring Jeff Speakman and John Dye (1991).
**2.30** **Weather.**
**2.35** **Close.**

### BBC2

6.00 Open University. 12.15 pm Gunsmoke. 1.00 Craftsmen.

**1.15** **The Essential History of the Troubles.** Representatives from both sides of the dispute give their views on the violence and suggest ways of achieving long-term peace.
**2.15** **Ways of Seeing.** John Berger examines how traditional artistic techniques were altered by the introduction of oil paint in the early 15th century.
**2.45** **Film: Rockets Galore.** The tranquility of a small Scottish island is shattered by plans to build a missile base. Comedy, starring Donald Sinden and Jeannie Carson (1957).
**4.15** **Golf and Athletics.** Golf: The third round of the Women's British Open from Woburn. Athletics: The penultimate day of the European Championships in Helsinki, where Linford Christie is due to lead an all-star British line-up in the final of the men's sprint relay.
**6.00** **Showcase Series.** Film following scientists as they study the behaviour of seals.
**6.30** **Athletics: European Championships.** Further coverage from Helsinki, including the semi-finals of the men's 4x400m relays. Commentary by David Coleman, Stuart Storey, Brendan Foster and Paul Dickenson.
**7.30** **TV Troubles: Hang Up Your Brightest Colours.** Kenneth Griffith's controversial profile of IRA leader and Irish hero Michael Collins, who first came to prominence in the Easter Rising of 1916 and died only six years later at the age of 32.
**8.55** **The Turn of the Screw.** David Hemmings introduces Scottish Opera's lavish production of Benjamin Britten's work, adapted from the story by M.R. James, about a governess (Anne Williams-King) thrown into emotional turmoil by supernatural forces.
**10.55** **Screen Two: The Grass Arena.** Award-winning drama about a once-promising boxer, brought down by alcohol abuse and clashes with the law, who gets a new chance in life after discovering he has a talent for chess. Mark Rylance stars.
**12.25** **Film: The Big Knife.** Drama about a depressed Hollywood film star blackmailed into signing a new contract. Jack Palance and Ida Lupino star (1955).
**2.15** **Close.**

### LWT

6.00 GMTV. 9.25 Gimme 5. 11.30 The ITV Chart Show. 12.30 pm Starting from Scratch.

**1.00** **ITN News; Weather.**
**1.05** **London Today; Weather.**
**1.10** **Movies, Games and Videos.** Reviews of True Lies, starring Arnold Schwarzenegger and Jamie Lee Curtis, and Wayne's World II, with Mike Myers and Dana Carvey.
**1.40** **WCW Worldwide Wrestling.**
**2.40** **Life Goes On.**
**3.35** **Burke's Law.**
**4.40** **ITN News and Results; Weather.**
**5.00** **London Today and Sport; Weather.**
**5.20** **Time Trax.** Darien infiltrates a business run by two technical geniuses planning to hack into the US Treasury's computer system. SF action, starring Dale Midkiff.
**6.10** **Scavengers.** John Leslie leads contestants from Dorking, North Yorkshire, London and Colchester into a futuristic environment designed to test their abilities to the limit.
**7.10** **Celebrity Squares.** Contestants from Ellesmere Port and Norwich compete for cash and cars, helped by celebrities including Gorden Kaye, Frank Bruno and Caron Keating.
**7.40** **Film: Columbo: Caution – Murder Can Be Hazardous to Your Health.** The host of a TV crime show bumps off a former partner – but reckons without the intervention of the shabbily dressed detective. Peter Falk and George Hamilton star.
**9.20** **ITN News; Weather.**
**9.35** **London Weather.**
**9.40** **Film: Suspect.** Cher stars as a legal eagle who takes the case of a deaf-mute Vietnam veteran accused of murder. Courtroom drama, with Dennis Quaid and Liam Neeson (1987).
**11.55** **Film: Descent into Hell.** French thriller about a writer involved in bloody goings-on. Claude Brasseur and Sophie Marceau star (1986).
**1.30** **Tour of Duty.**
**2.25** **Get Stuffed; ITN News Headlines.**
**2.30** **The Big E.**
**3.25** **Get Stuffed; ITN News Headlines.**
**3.30** **New Music.**
**4.20** **BPM; Night Shift.**

### CHANNEL4

6.00 4-Tel on View. 6.35 Early Morning. 10.00 Trans World Sport. 11.00 Gaelic Games. 12.00 The Big 8. 12.30 pm Much Urdu: Three Plays (English subtitles).

**1.10** **Film: Folly to be Wise.** Comedy, starring Alastair Sim as an army entertainments officer trying to brighten the troops' lives by staging a public debate (1952).
**2.50** **Film: The Pure Hell of St Trinians.** The outrageous girls' school is visited by an Arab sheikh seeking a harem. Comedy, starring George Cole and Joyce Grenfell (1961).
**4.30** **Mouse Soup.**
**5.05** **Brookside.; News Summary.**
**6.30** **Right to Reply Special.** Debate on last Sunday's controversial episode of documentary The Valour and the Horror, which investigated Canadian airmen's involvement in RAF Bomber Command during the second world war, questioning the morality of Commander Arthur Harris's decision to target German cities. The programme's writer and director Brian McKenna discusses its content with an invited studio audience, including veterans and military historians.
**7.00** **The People's Parliament.** Lesley Riddoch chairs a discussion on whether non-essential vehicles should be banned from city centres as Britain is gripped by an asthma epidemic linked to exhaust fumes. Would such a step reduce air pollution and congestion or merely cause resentment among car owners? Speakers include Professor Rolf Monheim, and RAC public policy and communications manager Rosemarie Graham.
**8.00** **Film: None But the Brave.** American servicemen crash-land on a remote Pacific island already occupied by Japanese soldiers. Second world war adventure, starring Frank Sinatra (1965).
**10.00** **Blue Heaven.** Frank contemplates the end of Blue Heaven – until Mum reveals a secret from her past.
**10.30** **The Best Intentions.** Henrik is nominated for the post of hospital chaplain, but does not share Anna's conviction that it would be a good move. Last in series. (English subtitles).
**12.05** **Late Licence.**
**12.15** **Herman's Head.**
**12.45** **Just for Laughs.**
**1.15** **825 Live: PJ Harvey.**
**1.50** **Passengers.**
**2.50** **Beavis and Butt-Head.**
**3.20** **Packet of Three.**
**4.00** **Close.**

### REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:

## SUNDAY

### BBC1

7.20 News. 7.25 Athletics: European Championships. 9.50 Summer Sunday. 10.55 See Hear!

**11.05** **Film: Wichita.** Action-packed Western, starring Joel McCrea as Wyatt Earp (1955).
**12.25** **Cartoon.**
**12.30** **CountryFile.**
**12.55** **Weather for the Week Ahead; News.**
**1.00** **Athletics: European Championships.** Coverage of the final day's events from the Olympic Stadium in Helsinki.
**3.30** **EastEnders.**
**4.50** **Junior Masterchef.** New series. Loyd Grossman invites young cooks to demonstrate their skills, with judges Gary Rhodes and Ulrika Jonsson tasting the results.
**5.20** **The Great Antiques Hunt.** New series. Amateur antique enthusiasts are set tasks and challenges by David Battie, John Bly and Eric Knowles, including spotting reproductions, and buying items to sell at a profit.
**6.05** **News.**
**6.25** **Summer Praise.** David Matthew and Jumoke Fashola attend a jazz church service and festival in Upton-upon-Severn, Worcestershire. Hymns include Down by the Riverside.
**7.00** **Small Talk.**
**7.30** **2point4 Children.**
**8.00** **The Tales of Para Handy.** Comedy, starring Gregor Fisher.
**8.50** **News and Weather.**
**9.05** **A Fatal Inversion.** The discovery of bodies at the hall prompts Adam and Rufus to compile a list of people who could expose their terrible secret. Ruth Rendell's psychological thriller, starring Douglas Hodge and Jeremy Northam.
**10.05** **Mastermind.**
**10.40** **Everyman.** Profile of controversial psychologist Jim Goodwin, whose enthusiastic advocacy of the anti-depressant Prozac has led some experts to question his professional competence.
**11.20** **Football and Athletics.** Football: Highlights of Manchester United v Blackburn Rovers in the FA Charity Shield from Wembley. Athletics: The final events of the 1994 European Championships from Helsinki.
**12.30** **Film: Hands of the Ripper.** Gory thriller, starring Angharad Rees (1971).
**1.55** **Weather.**
**2.00** **Close.**

### BBC2

6.15 Open University. 9.10 Littl' Bits. 9.35 Spacevets. 9.50 Eek the Cat. 10.15 The Really Wild Guide to Britain. 10.40 Teenage Mutant Hero Turtles. 11.05 Dynamite. 11.20 Bay City. 11.45 Grange Hill. 12.15 pm The O Zone.

**12.30** **Sunday Grandstand.** Introduced by Steve Rider. 12.35 Motor Racing: Live coverage of the Hungarian Grand Prix from the Hungaroring. 3.05 Women's Golf: The final round of the British Open from Woburn. 5.30 Athletics: A look back at the best moments from the European Championships in Helsinki. Times may vary. Subsequent programmes may run late.
**6.30** **Rough Guide to the World's Islands.** Magenta de Vine and Rajan Datar explore the roots of reggae in Jamaica. Last in series.
**7.20** **The Score.** The popularity of contemporary religious music, and the debilitating effects of nervous tension on orchestral players.
**8.00** **Under the Sun.** Cameraman Frederic Labourasse's film following a 13-year-old boy living on Indonesia's remote Mentawai islands, as he returns from a catholic missionary school to be reunited with his sorcerer father – an occasion when the results of a western education contrast starkly with traditional religious ceremonies. Last in series.
**8.50** **Monty Python's Flying Circus.** Classic comedy. Sketches include It's the Arts and Twentieth Century Vole.
**9.20** **The Dead.** Families devastated by the Troubles in Northern Ireland reveal how their loved ones became victims of the 25-year conflict. Among the relatives providing moving testimonies are a woman whose three sons were shot dead while watching TV and the father of a British soldier killed during a routine patrol.
**10.30** **Grand Prix.** Highlights of the Hungarian Grand Prix from the Hungaroring.
**11.00** **Moviedrome.** Alex Cox introduces tonight's first film.
**11.05** **Film: To Sleep with Anger.** A black family is affected by the reappearance of an old friend. Drama, starring Danny Glover, Paul Butler and Mary Alice (1990).
**12.45** **Moviedrome.**
**12.50** **Film: Contempt.** A young dramatist's eyes are opened to the world of film-making in Jean-Luc Godard's movie satire, starring Fritz Lang, Brigitte Bardot and Jack Palance (1963).
**2.35** **Close.**

### LWT

6.00 GMTV. 9.25 The Littlest Hobo. 10.15 Link. 10.30 Sunday. 11.00 Morning Worship. 12.00 Sunday. 12.50 pm An Invitation to Remember. 12.55 London Today; Weather.

**1.00** **ITN News; Weather.**
**1.10** **100 Women.** All-female debate chaired by Sheena McDonald.
**2.00** **Highway to Heaven.**
**2.55** **Cartoon Time.**
**3.10** **Film: Charley and the Angel.** A man changes his hard-hearted ways after learning he only has a short time left to live. Sentimental Disney comedy, starring Fred MacMurray and Kurt Russell (1973).
**5.00** **City Safari.** The survival of the great crested grebe, a bird hunted to near extinction in the 19th century, which now thrives on park lakes all over London.
**5.30** **The London Programme.** Public transport workers who drink and drive, risking the lives of their passengers.
**6.00** **London Tonight; Weather.**
**6.20** **ITN News; Weather.**
**6.30** **Dr Quinn: Medicine Woman.** Mike is given a horse by the Cheyenne and decides to enter it in a high-stakes race – only to be turned away by the rules committee because she is a woman.
**7.30** **Watching.**
**8.00** **Wycliffe.** The discovery of a body at a ramshackle farm alerts detective Charles Wycliffe to the fact that a murderer is at large in the wilds of rural Cornwall.
**9.00** **Framed.** Timothy Dalton stars as a supergrass on the run in this feature-length version of Lynda La Plante's psychological thriller.
**11.00** **ITN News; Weather.**
**11.10** **London Weather.**
**11.15** **The Greatest Show on Earth – Edinburgh Festival '94.** Fly-on-the-wall documentary following rehearsals and preparations for the world's biggest arts celebration.
**12.15** **The Restaurant Show.**
**12.45** **Married - With Children.**
**1.15** **Get Stuffed; ITN News Headlines.**
**1.20** **Film: Liberace.** Biopic of the flamboyant pianist, starring Andrew Robinson (TVM 1988).
**3.05** **Cue the Music.**
**4.05** **Get Stuffed; ITN News Headlines.**
**4.10** **Film: Weekend of Terror.** Thriller, starring Lee Majors (TVM 1970).

### CHANNEL4

6.10 Early Morning. 9.45 The Odyssey. 10.15 Saved by the Bell. 10.45 Rawhide. 11.45 Little House on the Prairie.

**12.30** **Film: Rhapsody in Blue.** Biopic of legendary American composer George Gershwin. Robert Alda, Joan Leslie, Alexis Smith and Oscar Levant star (1945).
**3.15** **Saint Mugg: The Making of a TV Saint.** The late Malcolm Muggeridge's progress from political satirist to religious crusader.
**4.15** **J'Accuse.** Writer Russell Davies argues that Laurence Olivier's legendary acting talents have been over-rated.
**4.45** **News Summary.**
**4.50** **Film: Stars and Stripes Forever.** Musical biopic chronicling the life of American composer John Philip Sousa, who started as a bandmaster in the marines and went on to achieve great success as a writer of marches. Starring Clifton Webb and Debra Paget and Robert Wagner (1952).
**6.30** **The Cosby Show.**
**7.00** **The Valour and the Horror.** Final part. The mistakes, poor leadership and sheer bad luck which led to the Canadians sustaining their worst losses of the second world war in the battle for Verrieres Ridge. In the final film of this controversial series, two veterans who went on to hold high military office revisit Normandy where, as young officers, they had to lead their men in the hopeless attack against bigger and better equipped forces.
**9.00** **Film: Cat Ballou.** Lee Marvin gives an Oscar-winning performance in two roles, as a drunken gunfighter and a ruthless outlaw who come into conflict over a ranch. Western spoof, also starring Jane Fonda, Michael Callan, Nat King Cole and Stubby Kaye. Part of the Saddle Up season (1965).
**10.45** **Film: Woodstock.** Oscar-winning film documenting the legendary outdoor rock festival held in 1969, featuring performances by Jimi Hendrix, Joe Cocker and The Who (1970).
**2.05** **Close.**

### REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:

... Westcountry News. 2.15 Special Report: The Sunfactor. 2.45 Brief Encounters. 3.15 Robbery. (1967) 5.15 Murder, She Wrote. 6.15 Westcountry News 11.10 Westcountry Weather.

YORKSHIRE:
9.25 The New Adventures of Black Beauty. 9.50 Zorro. 12.25 Nowrang. 12.50 Calendar News. 2.00 Cricket. 5.50 Calendar 11.10 Local Weather.

# RADIO

## SATURDAY

### BBC RADIO 2

6.00 Sujata Barot. 8.05 Brian Matthew. 10.00 Judi Spiers. 12.00 Hayes on Saturday. 1.30 Jimmy's Cricket Team. 2.00 The Golden Days of Radio. 3.00 Ronnie Hilton. 4.00 Getting Back to the Garden. 5.00 Nick Barraclough. 6.00 On Stage: Elaine Paige. 7.00 100 Years of the Movies. 7.30 George Shearing. 8.30 David Jacobs. 10.00 The Arts Programme. 12.05 Ronnie Hilton. 1.00 Charles Nove. 4.00 Sujata Barot.

### BBC RADIO 3

6.30 Open University: Talking About the Enlightenment.
6.55 Weather.
7.00 Saturday Morning Concert.
9.00 Prom News. John Eliot Gardiner's Wednesday Prom.
9.30 Record Release. Walton, Carl Stamitz, Weber, Mozart, Cerha, H.K. Gruber, Honegger.
12.00 Spirit of the Age.
1.00 Into the Garden.
1.15 Mirella Freni.
3.45 Murray McLachlan.
5.00 Jazz Record Requests. With Geoffrey Smith.
5.45 Key Questions. With Nigel Kennedy.
6.30 Alfreda Hodgson, Vaughan Williams and Barber.
7.30 BBC Proms 1994. Britten and Beethoven.
9.15 Studio 3: Frank Pig Says Hello. Psychological thriller, by Patrick McCabe.
10.00 Illinois Jacquet. The tenor saxophonist recorded in concert.
12.30 Close.

### BBC RADIO 4

6.00 News.
6.10 The Farming Week.
6.50 Prayer for the Day.
7.00 Today.
9.00 News.
9.05 Sport on 4.
9.30 Breakaway.
10.00 Pack the Book.
10.30 The Lipman Test.
11.00 Talking Green Politics.
11.30 From Our Own Correspondent.
12.00 Inside Money.
12.25 A Look Back at the Future.
1.00 News.
1.10 Have Your Say.
2.00 Photo Appreciated.
2.30 Playhouse: Victory. By Guy Meredith.
3.45 Fit Ups, Portables and Basket Cases.
4.00 History on the Hoof.
4.30 Science Now.
5.00 File on 4.
5.40 Six of Clubs. The Women's Institute.
6.00 News and Sports.
6.25 These Were These Five Irish Persons.
6.50 Ad Lib in Australia. Melbourne's trams.
7.20 Kaleidoscope Feature.
7.50 Saturday Night Theatre: The Jaunt. By Roderick Graham.
9.20 Music in Mind.
9.50 Ten to Ten.
10.00 News.
10.15 Looking Forward to the Past. Historical discussion.
10.45 A Likely Story?
11.00 A Night at the Opera. With Christopher Lee.
11.30 Erotica. The power of erotic writing.
12.00 News.
12.33 Shipping Forecast.
12.43 (FM) Close.
12.43 (LW) As World Service.

### BBC RADIO 5 LIVE

6.05 Dirty Tackle.
6.30 The Breakfast Programme.
9.05 Weekend with Kershaw and Whittaker.
11.05 Special Assignment.
11.35 The Ad Break.
12.00 Midday Edition.
12.15 Sportscall.
1.04 Sport on Five.
6.06 Six-O-Six.
7.35 Saturday Edition.
9.05 Asian Perspective.
9.35 Out This Week.
10.05 The Treatment.
11.00 Night Extra.
12.05 After Hours.
2.00 Up All Night.

### WORLD SERVICE

BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m) at these times BST:

6.00 Morgenmagazin. 6.30 Europe Today. 7.00 News. 7.15 The World Today. 7.30 Meridian. 8.00 News. 8.15 Waveguide. 8.25 Book Choice. 8.30 Power and Disorder. 9.00 News. 9.09 Words of Faith. 9.15 A Jolly Good Show. 10.00 World News and Business Report. 10.15 Worldbrief. 10.30 Development 94. 10.45 Sports. 11.00 News; Jazz Now and Then. 11.15 Letter from America. 11.30 BBC English. 11.45 Mittagsmagazin. 12.00 Newsdesk. 12.30 Meridian. 1.00 News. 1.09 Words of Faith. 1.15 Multitrack Alternative. 1.45 Sports. 2.00 Newshour. 3.00 News; Sportsworld. 4.00 News. 4.15 BBC English. 4.30 Heute Aktuell. 5.00 News. 5.15 Sportsworld. 6.00 BBC English. 6.30 Heute Aktuell. 7.00 News and features in German. 8.00 News and Interlude. 8.15 Proms '94. 9.15 News; Sportsworld. 9.30 Meridian. 10.00 Newshour. 11.00 News. 11.05 Words of Faith. 11.10 Book Choice. 11.15 Jazz for the Asking. 11.45 Sports. 12.00 Newsdesk. 12.30 Best on Record. 1.00 News. 1.15 Good Books. 1.30 The John Dunn Show. 2.00 News; Play of the Week: Night Mother. 3.00 Newsdesk. 3.30 Media Magnates. 4.00 Newsdesk. 4.30 BBC English. 4.45 News and Press Review in German.

## SUNDAY

### BBC RADIO 2

7.00 Don Maclean. 9.05 Bob Holness Requests the Pleasure. 10.30 Hayes on Sunday. 12.00 David Jacobs. 2.00 Benny Green. 3.00 Alan Dell. 4.00 It's Your Radio 2. 4.30 Sing Something Simple. 5.00 Charlie Chester. 7.00 Richard Baker. 8.30 Sunday Half Hour. 9.00 Alan Keith. 10.00 Calling on Elvis. 12.05 Steve Madden. 3.00 Alex Lester.

### BBC RADIO 3

6.30 Open University: Animal Physiology. 6.55 Weather.
7.00 Sacred and Profane.
9.00 Brian Kay's Sunday Morning.
12.30 Full Score.
1.00 Musical Tales: The Nutcracker.
1.15 The Sunday Concert.
2.45 Tasmin Little at the Wigmore Hall.
4.05 The BBC Orchestras. Rossini, Gershwin, Strauss, John Adams.
5.25 Music for Guitar. Albeniz arr Segovia, Tansman, Castelnuovo-Tedesco, Segovia, Turina.
6.05 Interpretations on Record. Versions of Handel's Julius Caesar.
7.05 Prom News. John Eliot Gardiner's Wednesday Prom.
7.30 BBC Proms 1994. John Tavener.
9.40 Sunday Play: The Gigli Concert. By Tom Murphy.
11.45 Purcell Quartet. Vivaldi,
12.30 Close.

### BBC RADIO 4

6.00 News.
6.10 Prelude.
6.30 Morning Has Broken.
7.00 News.
7.10 Sunday Papers.
7.15 On Your Farm.
7.40 Sunday.
8.50 The Week's Good Cause.
9.00 News.
9.10 Sunday Papers.
9.15 Letter from America.
9.30 Morning Service.
10.15 The Archers. Omnibus.
11.15 Mediumwave.
11.45 Derek Cooper's Necessary Pleasures.
12.15 In the Psychiatrist's Chair.
1.00 The World This Weekend.
2.00 Gardeners' Question Time.
2.30 Classic Serial: The Expedition of Humphry Clinker.
3.30 Pick of the Week.
4.15 Winning Rights.
5.00 My Father's Land.
5.30 Poetry Please!
6.00 Six O'Clock News.
6.15 Feedback.
6.30 Children's Radio 4: My Sister's a World Class Kleptomaniac. Joe Turner's comedy about growing up.
7.00 Barging across Europe.
7.30 The Airport.
8.00 (FM) History on the Hoof.
8.00 (LW) Open University.
8.30 (FM) Reading Aloud.
9.00 (FM) The Natural History Programme.
9.30 (FM) Costing the Earth.
10.00 News.
10.15 Hidden Voices.
10.45 No Triumph, No Tragedy.
11.15 Walston Goes Walkabout. Bolivia.
11.45 Seeds of Faith: The Sichuan Road.
12.00 News.
12.30 Shipping Forecast.
12.43 (LW) As World Service.
12.45 (FM) Close.

### BBC RADIO 5 LIVE

6.05 Hot Pursuits.
6.30 The Breakfast Programme.
9.00 Alastair Stewart's Sunday.
12.00 Midday Edition.
12.15 The Big Byte.
1.04 Sunday Sport.
7.00 News Extra.
7.35 Black to the Future.
8.00 The Ultimate Preview.
10.05 Golf: The US PGA Championship.
11.00 Night Extra.
12.05 Nightcall.
2.00 Up All Night.

### WORLD SERVICE

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6.00 News and features in German. 6.30 Composer of the Month. 7.00 News. 7.15 Letter from America. 7.30 Jazz For The Asking. 8.00 News. 8.15 Music As It Was. 8.30 From Our Own Correspondent. 8.50 Write On. 9.00 News. 9.09 Words of Faith. 9.15 The Greenfield Collection. 10.00 World News and Business Review. 10.15 Short Story: February's Tale. 10.30 Folk Routes. 10.45 Sports. 11.00 News; Science in Action. 11.30 BBC English. 11.45 News and Press Review in German. 12.00 Newsdesk. 12.30 The John Dunn Show. 1.00 News; Play of the Week: Night Mother. 2.00 Newshour. 3.00 News; The Sparks That Lit The Bonfire. 3.30 Anything Goes. 4.00 News. 4.15 BBC English. 4.30 News and features in German. 5.00 News. 5.15 BBC English. 6.00 World News and Business Review. 6.15 Health Matters. 6.30 News and features in German. 8.00 Best on Record. 8.30 Europe Today. 9.00 News. 9.09 Words of Faith. 9.15 Sportsworld. 9.30 Brain of Britain. 10.00 Newshour. 11.00 World News and Business Review. 11.15 Short Story: February's Tale. 11.30 Letter from America. 11.45 Sports. 12.00 Newsdesk. 12.30 The Sparks That Lit The Bonfire. 1.00 News. 1.15 Mind Matters. 1.30 In Praise of God. 2.00 News; With Great Pleasure. 2.45 Music As It Was. 3.00 Newsdesk. 3.30 Composer of the Month. 4.00 Newsdesk. 4.30 BBC English. 4.45 Fruhmagazin.

# CHESS

Gata Kamsky won from the brink of defeat this week and caused yet another twist in the world championship saga. When Kamsky trailed 1½-3½ to Vishy Anand at Sanghi Nagar, in India, with only three games left, Anand's Indian backers were relaxed enough to pledge £300,000 to host next year's Fide semi-finals.

Then Kamsky, the 20-year-old US No 1 and a former Soviet prodigy, launched some daring openings, recovered to 4-4, took the lead in extra time speed chess then crushed his demoralised opponent (G Kamsky, White; V Anand, Black; 10th game 1994).

1 d4 Nf6 2 Nf3 c5 3 c3 g6 4 Bg5 Qb6?! Anand avoids Bg7 due to the match score, but Kamsky, with canny psychology, offers queen and knight swaps which, declined, give the Indian a dreadful position.

5 Qb3! Ne4 6 Bf4 Nc6 7 d5 Nd8 8 Nbd2 Nf6 9 e4 d6 10 Bb5+ Bd7 11 a4 Qc7 12 0-0 Bg7 13 e5! Opening up the king. Nh5 14 exd6 exd6 15 Rfe1+ Kf8 16 Bxd7 Qxd7 17 Qb5! Resigns. If Qxb5 18 Bxd6+ Kg8 19 axb5 Bf8 20 Re8 Kg7 21 Bc7 Ne6 22 Be5+ wins decisive material.

Fide now has its worst scenario, a monolithic semi-final of four ex-Soviets Karpov, Kamsky, Gelfand and Salov. The rival PCA semis at Linares, Spain next month will match Short v Kamsky and Adams v Anand, so if Anand wins the Indian sponsor will be tempted to ditch Fide and offer to host the PCA final.

If you backed contestants with names starting Ka in all world chess championship eliminators of the past 20 years you would now be heavily in profit, so perhaps the UK No 2 should change to Kadams.

No 1034

Burehall v Lundin, Stockholm 1960. Queens and rooks on an open board are tricky, and an international master got this wrong. What should Black play?

*Solution, Page XIII*

***Leonard Barden***

# BRIDGE

We look to rubber bridge of good standard for today's hand:

N
♠ Q 10 6 3
♥ A K 6 5 2
♦ 7 6 5 3
♣ –

W
♠ K 5 2
♥ Q J 10 9 4
♦ 8 2
♣ 7 4 2

E
♠ J 8
♥ 8 3
♦ K J 10 9
♣ K J 10 9 3

S
♠ A 9 7 4
♥ 7
♦ A Q 4
♣ A Q 8 6 5

East dealt at a love score and South opened with one club. North replied with one heart and South re-bid one spade. North raised to four spades and South, with his powerful hand, jumped to six spades, which closed the auction.

West opened with the heart queen. South was slightly disappointed when he saw dummy but felt that, if the diamond finesse was right, a cross-ruff might land the contract.

Winning with the heart king, South led a diamond and finessed the queen, which held. Cashing ace of clubs and discarding a diamond from the table, he ruffed a club in dummy and crossed to his diamond ace, West completing a peter. Another club was ruffed on the table. The ace of hearts was cashed, declarer throwing his last diamond, and the heart two followed.

What was East to do? He ruffed with his eight, forcing South to over-ruff with the nine, and another club was ruffed in dummy, West throwing a heart. When a heart was returned, East ruffed with his knave of trumps, over-ruffed by the ace. South now led his last club, West ruffed with the spade two, and dummy over-ruffed with the queen. Now West held king and five of spades, a perfect tenace over South's seven and four.

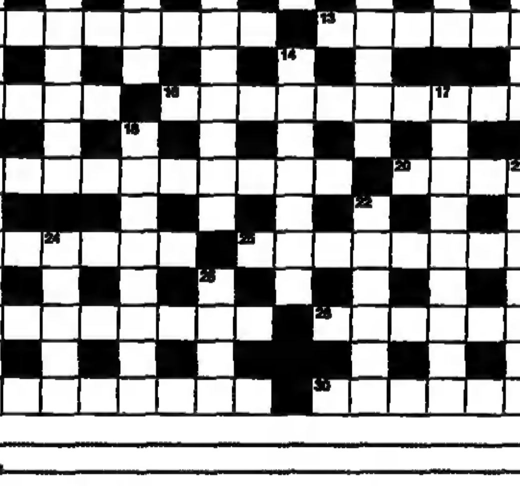
Full marks to East. Without his trump promotion, the slam would have been made.

***E.P.C. Cotter***

# CROSSWORD

## No. 8,531 Set by CINEPHILE

A prize of a classic Pelikan Souverän 800 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday August 24, marked Crossword 8,531 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday August 27.



Name........................................

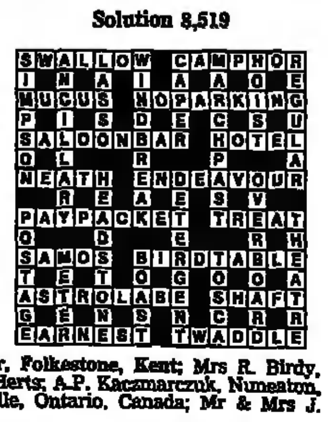
Address........................................

**ACROSS**
1 Foreign secretary finds the French a barrier (6)
4 Must initially, if cruel, be changed (8)
9 Tax taxonomy makes noise in projection (6)
10 Some ankylosis in old solver needs appreciation (5,3)
12 Trauma for residential area? There's not enough (8)
13 Red-faced American leader removed from state (6)
15 Clean from new, I perceive (4)
16 Proof – being irreverent about Queen Elizabeth the Fifth (10)
19 Inconsistent way to blow in all bedrooms? (3,3,4)
20 Male parliamentarian goes to pot (4)
23 Doctor in storm takes bet (6)
25 Severe test for Eric joining club? (8)
27 Page from Pravda arranged protection for African animal (8)
28 Prescribed course of love in the woodland (6)
29 Toy instruments, we hear, cause depression (8)
30 Scots nobleman has little time on isle (6)

**DOWN**
1 Poor horse observed to cut metal (7)
2 Stop-light on vehicle gets favourite VIP treatment (3,6)
3 Outside North America, a girl's name for madness (6)
5 Repeat of the chorus (4)
6 Meeting of clan dispersed in bay (8)
7 Lobby for solvers inside (5)
8 Place of pilgrimage makes us older (7)
11 Bear inside (7)
14 State translated from Irish county (7)
17 Bombastic part of speech, and vulgar, to enter on (9)
18 Sitting pretty, incorporated partner (2,6)
19 Rider (writer) is careworn (7)
21 Excuse before writing (7)
22 Science alternative to church? Burn! (6)
24 Mountain to mountain – a work of art (5)
26 Proper sort of rose? (4)

**Solution 8,530**

**Solution 8,519**



WINNERS 8,518: Mrs M.G.Foster, Folkestone, Kent; Mrs R. Birdy, London W13; G. Hollis, Hatfield, Herts; A.P. Kaczmarczyk, Nuneaton, Warwickshire; J. Phillips, Oakville, Ontario, Canada; Mr & Mrs J. Sanders, Harpenden, Herts.

# As one chess player to another . . .

***Dominic Lawson** on the lesson that Jeremy Hanley has failed to grasp*

One could not help but be touched by the puzzlement of Jeremy Hanley as, last week, he gave his first interview as Conservative Party chairman. It was published the day before a Gallup opinion poll showed that the Labour Party had an unprecedented 33.3 per cent lead over the Conservatives.

While no one seems to believe that this result would pertain in a general election it is, nevertheless, chilling for the Conservatives to be presented with so graphic a premonition of their political annihilation.

Yet, as Hanley plaintively told the Sunday Telegraph, everything seems to be going swimmingly with the economy.

Inflation and interest rates are at levels not enjoyed since the early 1960s (when we had never had it so good, apparently). Unemployment is falling sharply. And last week, the Confederation of British Industry, perpetual moaners and complainers, reported that for the first time in a decade all of their 11 regions, from Scotland to the south-west, were increasingly optimistic about both output and new orders.

For Hanley, whom I know to be a chess player of iron logic, such an apparent divergence between facts and opinion is genuinely paining, and not just because his own seat is a bit marginal.

One of Hanley's colleagues, struggling to come up with an explanation, said it was because the electorate was "bored" with John Major and the Conservatives.

The implication was that the nationwide enthusiasm for Anthony Blair, the Labour leader, was merely a fashion, which had come, and would go, rather like skateboarding or bungee-jumping.

This may, indeed, be part of the reason, and one must concede that Major's appeal does not lie in the generation of excitement.

On the other hand, I have always thought that the British people do not want to be excited by their politicians.

They rather like the idea of boring competence, *à la* Stanley Baldwin. But the key word is competence.

And I would not be the first person to point out that the government's reputation for competence, so assiduously cultivated by "honest" John Major, was shattered by Britain's humiliating exit two years ago from the Exchange Rate Mechanism.

That traumatic event was the main reason why the British economy is now growing faster than those of its European partners. But everyone realises that it had been the government's sworn policy, on the political equivalent of stacks of bibles, never to take the cut-and-run exit from the ERM, even while a number of wise and experienced commentators had warned that such an outcome was not only inevitable but desirable.

There is some political injustice in Blair benefiting from this debacle. He and his wing of the Labour Party, "the modernisers", had uncritically stood four-square behind the government's ERM policy, and were as astonished as anyone by the eventual result.

Indeed, the only Labour MP of any stature who warned of the consequences, Bryan Gould, has sunk into political oblivion.

The government's big mistake was its brazen refusal to take any responsibility for the debacle, to pretend, quite shamelessly that what had happened was an accident that could not have been foreseen, and that its economic policies remained a seamless web of consistency, rather like one of Hanley's better games of chess.

It is true that politicians never apologise, and rarely explain, but the government on this occasion underestimated the public's capacity for outrage. Norman Lamont's singing in the bath and regretting nothing was charmingly insouciant, but contrition was the order of the day.

Alas, Hanley does not yet seem to have grasped this lesson. In his interview he seemed unable to express any genuine regret for the ERM fiasco, and indeed hinted strongly that this was an experiment we might want to take part in again.

As one chess player to another, I would implore Hanley to remember that it is better to admit one's errors during the game, rather than try to justify them after one has lost.

■ *Dominic Lawson is editor of The Spectator.*

# A harp, a wreath and a sentence in Siberia

***Chrystia Freeland's** favourite aunt recounts how she survived a 'child's sentence' in Stalin's labour camps*

James Hill

My favourite great-aunt spent 10 years in Stalinist labour camps for two crimes: buying a funeral wreath and playing the harp at a dinner party.

The funeral wreath was purchased in 1944, when Oleksandra Blavatska, my Aunt Lesia, was 19 years old. She had pursued her childhood dream of becoming a businesswoman by enrolling in the newly-established Soviet Trade Institute. She had been studying for only a few months when Metropolitan Sheptytsky, head of the Ukrainian Catholic Church, died. He was revered, Lesia says, as "the holiest of holies" for his defiance of both the Nazis and the Soviets during the Second World War. Raised in a patriotic and activist Ukrainian household, Lesia's response was automatic: she called together her classmates and collected money for a wreath.

"We bought a beautiful wreath with red linden at the centre, as was the Ukrainian national custom," Lesia recalls. With what is almost a girlish giggle, my 69-year-old aunt explains why her funeral flowers were so provocative: "And on a black band draped across the wreath we wrote 'To the unforgettable defender of Ukrainian youth from the students of the Soviet Trade Institute.' The Bolsheviks – not known for their sense of humour – could never forgive me for that."

The day after the funeral, she was expelled from the institute and the midnight interrogations at KGB headquarters, which began for Lesia as soon as the Soviet army took over the western Ukrainian city of Lviv, intensified. But a dinner party a few months later was the last straw. When a delegation of Soviet Ukrainian writers came to Lviv they were entertained by Lesia's mother, the city's most accomplished hostess in the old days of Austro-Hungarian, and later Polish, rule. While Mrs Blavatska charmed the writers by chatting in French, her daughter, the only harpist in the city (the harp was a ploy to get Lesia into the conservatory after she had been expelled from the trade institute) provided a musical accompaniment.

A few weeks later, Lesia was arrested on her way to the conservatory and she began an education of a different sort. Over the next decade she progressed from KGB interrogation cells to a tour of Soviet labour camps.

Along the way, she gave birth to my second favourite aunt, Vira, "Faith", who spent her early childhood separated from her mother in a Soviet orphanage.

The only time Vira, now a professor of engineering, refers to her unorthodox upbringing is in laughing apology for her preference for trousers over skirts and lack of the culinary talent.

"I was raised by Soviet commandants, how could I be properly civilised?" she tells me to excuse the store-bought cakes served with tea – a true crime in a proper Lviv household, especially when the visitor is a relative from Canada.

Lesia, a vigorous lady who upholds the family name by plying me with home baking, is equally matter-of-fact in describing KGB interrogation tactics to me, the sheltered Canadian granddaughter of her cousin (my grandfather) who got away in 1939.

"The KGB cell had an open window and it was winter, so there was ice and snow on the floor. It was full of rats. It was exactly seven steps wide: I know because I paced back and forth all day and all night." After 18 days in the isolation cell, Lesia collapsed. "I was young and I loved to dance but I told myself that if I was ever again able to walk I would never dance. I've kept that promise."

Unconscious, Lesia was carried into a larger, crowded jail cell, where she spent two months, and then she was sentenced. "Because I was so young and they really couldn't find anything at all to accuse me of I was given what we called 'a child's sentence;'" just 10 years of hard labour and five years of exile in Siberia.

The journeys between camps were the worst part. "A hundred prisoners would be herded into locked cattle cars with a hole in the middle to use as a toilet. Every day we were given one slice of salted herring, a piece of bread and a bottle of water," Lesia says. "I couldn't bring myself to eat the herring and maybe that was what saved me."

Early in her sentence, when she was in a labour camp in the Baltic state of Estonia, Lesia was conned by more savvy inmates into selling part of her food ration in exchange for promised assistance to escape. "This was, of course, very stupid, because no one ever escaped Stalin's camps. But I was tricked and I sold them some of my food. My body began to decay and one day the work captain said he would no longer accept me, so I got even less food. Slowly, I began to die."

Saved by a sympathetic doctor in the prison infirmary, Lesia recovered and was sent to the labour camp in Mordova in northwestern Russia where she would serve most of her sentence. Vira, born in the Estonian prison, was initially kept together with other children in a camp adjacent to their mothers but when the children were 18 months old they were sent to an orphanage in Siberia.

"If the caretaker at the orphanage was very kind, once a year she would send me a letter about my daughter. Three times the prison wardens called me and asked me to give her up for adoption, but each time I refused and began a hunger strike. Eventually, they gave up," Lesia says.

While Vira grew up, her mother devoted herself to survival. "It was a very select camp: we had the prima ballerina of the Minsk ballet, Hitler's private secretary, a few Parisians and some Moscow girls who had married diplomats."

The diplomats' wives, Lesia remembers, "laughed at themselves. They used to say, 'we are here because we had too great a weakness for stockings and chocolate and so we married American men'."

"There's no doubt about it, though, it is hard to get out of a labour camp alive."

*'I still have my mother's ring. I think I might be one of the only people who ever managed to hide something from Stalin's police'*

Lesia preserved her body with a rapidly acquired public cunning – no more selling her food to other inmates – and her soul with small acts of private defiance. She proudly shows me the relic of one such gesture: a misshapen gold wedding band, her mother's, which Lesia hid from the prison wardens during a decade of body searches by wearing it under a dirt-encrusted bandage on one of her toes.

"For 10 years I didn't take that bandage off. It was so dirty and disgusting and rotten it made my skin crawl to look at it. But the guards couldn't bear to examine it too closely either, so I still have my mother's wedding ring. I think I might be one of the only people who ever managed to hide something from Stalin's police."

It is a struggle to reconcile this tough political prisoner, whose bald head and emaciated body caused Vira, reunited with her mother after a seven-year separation, to run away in terror, with my charming, very proper aunt, who prefers Vienna – "that is Europe, that is culture" she rhapsodises – to the sky-scrapers and consumer paradise of my native Edmonton, Alberta, proud home of the world's biggest shopping mall.

My cousin Lesyk, her grand-son, barges in to announce that the tea is getting cold and the tortes will dry out. "Don't be a Bolshevik," Lesia commands. "Wait until the lady has finished speaking."

With a guilty glance at my tattered jeans and bare feet, I realise that the woman in question is me. I also realise that the old-fashioned politesse on which my aunt Lesia so sternly insists is part of the defiance which brought her out of the labour camps alive.

Much of Lviv still wears the grey, hang-dog expression which characterised all Soviet cities, but in her crammed flat, Lesia has preserved a bygone corner of central Europe.

One last question: how did you survive?

"I'm not sure. We former political prisoners often tell each other that the experience has warped us all somehow. That's probably true, but I think that I still appear to be quite normal. Maybe it was because my mother was such a strong disciplinarian and always insisted on good manners. Even in the labour camps, I never learned to swear, although many did; I never learned to smoke, although many did; and, unlike the more cosmopolitan girls from the big cities, I never became a lesbian."

I think guiltily of the cigarettes hidden in the bottom of my handbag and vow to wear a dress the next time I visit. Perhaps I should even learn how to bake.

Truth of the Matter

# Nice man – but he had to go

***Hugh Dickinson** on why the vicar who only believed in 'God' was sacked*

At one time we would have put the Rev Anthony Freeman, vicar of St Mark's Church, Staplefield, in West Sussex, on the rack and then burned him to death unless he recanted.

The formidable Dr Keating, of Eton college, had his methods too. A boy who admitted he was having doubts about the Holy Trinity was told: "Boy, you will believe in the Holy Trinity by 3 o'clock this afternoon or I will beat you until you do."

In these milder times we just stop paying those accounted heretical. But is it the monstrous attack on freedom of speech it has been made out to be?

What else can you do with an amiable parson who pops up in his pulpit one Sunday and says to the faithful: "Sorry, folks, um, I don't quite know how to put this, but that He/She/It Out There to Whom we've been beaming our prayers all these centuries, well, um, He? She? It? isn't out there after all.

"It is just empty space. The only possible recipient of all that love and adoration and all those fervid prayers is right here – yes, um, in our own tummies."

So he must go. His bishop has said so. But he is a lovely vicar. Paradigm and paragon of Christian benevolence. Not a peep of criticism of Freeman or his ministry has crept into the press, which generally salivates over dismembered priests.

It is a crying shame. And it is not as if the Church is awash with cuddly and innocent vicars. Cruel and tyrannical bishop, intolerant prelate come forth!

Enter from the right, the Right (very Right) Reverend Eric Kemp, Bishop of Chichester, now nearly 80, long past the age when more complacent bishops have retired. He is the prime and unpopular mover (or remover) in this small but intriguing ecclesiastical drama which has made headline news and prime-time TV. Kemp has decided, as he is legally entitled to, that he will not have parsons, however amiable, who happen not to believe in God.

But here the plot thickens. This thoroughly non-turbulent priest is not an atheist – so he claims. He does believe in "God" – the quotes are essential if clarity is to be retained. But he has come to the conclusion, first advocated by Don Cupitt, a fellow of a Cambridge College, that by "God" we are not referring to a supernatural transcendent Being other than ourselves, but rather to all those human aspirations, ideals and moral values which are in some sense "higher" than ourselves.

"God" is a human construct. On to the blank screen of the universe we project our own image of beauty, truth and goodness, the noblest image of ourselves we can conceive. To speak of that image as an objective personal Agency or autonomous Being is, and has been, a useful expedient in the early ages of religion. But a more sophisticated age now realises that to believe It really is "out there", independently of the projection of the human mind, is to treat a metaphor as literal fact.

If I say "my love is a red rose", I will not take kindly to friends who give me a greenfly spray as a wedding present. On this view "God" is a compendious metaphor for all the religious instincts of human beings. So Freeman still believes in "God" but not in God.

Bishop Kemp will have none of it. And, in spite of his chauvinist intransigence over the ordination of women, I fear he is right in this case. Don Cupitt and Freeman and the "Sea of Faith" group have (in my view) sold the pass, chucked out the baby with the bathwater and severed the spinal cord of Christian faith. Those innocent little quotation marks are profoundly important.

Their basic proposition is attractive to any thoughtful person trying to make rational sense of religious belief. There is something hauntingly incomprehensible about an invisible, intangible and ultimately unknowable Transcendent Being. The paradoxes of human discourse about God present human intelligence with almost intolerable perplexity.

St Augustine saw that 1,500 years ago. There can be no literal discourse about God, only pointers towards Him. (Or Her or It.) Theologians use analogue or metaphor, the mystics poetry and visionary language, knowing perfectly well that it is not, and cannot be, literal.

But, unlike Freeman, traditional theology believes that these metaphors are not mistakes but essential for any discourse about a Divine Being who in his own inner essence is not part of the space-time continuum we inhabit.

So, if a meteorite were to hit this planet and reduce it and us to fizzing gas "God" would cease to exist; his light would go out with the destruction of the human projector. But, on the other hand, if the whole cosmos got folded up into a black hole and vanished up its own fundament, God would still be God.

*'If a meteorite hit earth and reduced us to fizzing gas "God" would cease to exist . . . The quotation marks are profoundly important'*

Why is the issue so important – important enough to sack a kind and popular priest? Because the heart of authentic religious experience is at stake. The central religious experience is an encounter with a Divine Being who is Other.

It is possible to enter into a relationship with that Other which has two centres. This Other is experienced by the human ego as One in whom reside transcendent Beauty and Truth and the mysterious quality of the Holy. But also the Other is another "I" to whom I can say "Thou" and who can address me from his own autonomous personal Being with a responding "thou".

In the course of the transactions between these two personal foci a relationship of intense exchange begins to take place. The strange visionary poetry of the mystics is the only barely adequate language which begins to describe this spiritual experience. But essential to it is this quality of personal love and trust – a sense that there is One who makes a promise to the human spirit.

Of all the issues at stake in this drama that seems to me to be one which is of key significance. God is a God who makes promises to me and keeps them. Nothing located inside me or inside the human community can serve that purpose. A metaphor cannot make a promise.

But a lot of other orthodox Christian beliefs get scrubbed as well. Creation, Redemption, Incarnation, Atonement, Resurrection and Eternal Life get the chop. No institution committed to teaching and upholding those doctrines can continue to employ a teacher who denies them all, or declares them to be no more than significant fairy tales.

Now it is quite possible that Freeman is right and the tradition of catholic Christianity is wrong. But he really should not feel aggrieved if the church which is committed to those beliefs decides it can no longer employ him in order to undermine its basic doctrines. The fact that a lot of his congregation agree with him does not make it any better; it just proves he is a charming and persuasive chap.

Underlying this rather sad story is a much deeper issue, of which Freeman and his friends may be a symptom. There is no doubt that the formulations of traditional Christian Doctrine do need radical restructuring. The New Age cults are speaking to a widespread spiritual hunger which is not being addressed by mainstream catholic or evangelical Christianity. They emphasise the "god within", the divine in nature, the earth mother, the organic continuum from inanimate rocks to the highest spiritual being. They see institutional Christianity as the enemy of that new mystical awareness.

The restructuring of Christian doctrine will have to respond to that hunger. But it must also preserve a philosophical and intellectual rigour which Freeman and the New Age cults both lack.

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